Austria Sch22	Indonesia Rp3100	Philippines .. Peso40
Bahrain Din0.650	Iran Rls160	Portugal Esc120
Belgium BFr48	Israel NS3.50	S.Arabia Rls7.00
Canada .... C$1.00	Italy L1700	Singapore .... S$4.10
Cyprus ...... C£0.90	Japan Y600	Spain Pta145
Denmark .. DKr10.00	Jordan Fils500	Sri Lanka Rup30
Egypt .... E£2.25	Kuwait Fils500	Sweden SKr9.00
Finland ... Fmk7.00	Lebanon .. $L125.00	Switz SFr2.30
France FFr6.50	Lux LFr48	Taiwan .... NT$65
Germany DM2.30	Malaysia Rm4.25	Thailand Bht50
Greece Dr120	Mexico Pes300	Tunisia Din0.800
Hong Kong ... HK$12	Morocco Dh6.00	Turkey L600
Iceland Kr125	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,682 — Tuesday November 1 1988 — D 8523 A

CHINA INVESTS
Peking's expanding foreign assets
Page 24

World News

Argentinian junta leaders sentenced to 12 years' jail

A civil court ordered 12-year prison sentences for former Argentine president Leopoldo Galtieri, former air force chief Brigadier Basilio Lami Dozo and Admiral Jorge Anaya, members of the military junta which plunged Argentina into the 1982 Falklands war with Britain.

They had been accused of reducing the effectiveness of Argentina's forces through negligence.

Gulf talks resume
Iran and Iraq were due to resume talks in Geneva on an end to the Gulf war. UN Secretary-General Javier Perez de Cuellar, sponsoring the meeting, said he expected the talks to be tough. Page 4

Giant rally in Delhi
Indian Prime Minister Rajiv Gandhi opened up the prospect of an early general election with a giant rally in New Delhi clearly intended to demonstrate the strength of the ruling Congress party. Page 4

Kaunda sworn in
Zambian President Kenneth Kaunda was sworn in for a sixth term after winning 95.5 per cent support in elections on October 26. Page 4

Video of US hostage
The pro-Iranian Islamic Jihad group released a video film of US journalist Terry Anderson, the longest-held Western hostage in Lebanon.

UK missiles break-in
Robbers broke into Short Brothers' missiles factory in the British province of Northern Ireland and escaped with a simulated aiming device. Page 11

Buran delayed again
Soviet officials said the launch of the space shuttle Buran was likely to be delayed for at least 20 days. Page 24

Benazir on campaign
Crowds of up to 50,000 greeted Pakistan opposition leader Benazir Bhutto on the first day of a campaign tour for elections on November 16.

Namibia impasse
Failure to agree on a timetable for the withdrawal of Cuban troops from Angola led to postponement of South Africa's November 1 target for implementation of Namibian independence. Page 4

Algerian rioters free
Algerian President Chadli Benjedid ordered the provisional release of all those arrested during bloody rioting early this month. Page 4

Afghan rebel poll
Afghan rebel leaders announced plans to hold elections to a supervisory national council, or Shura, by about the end of January.

Belgian nuclear row
The Belgian coalition Government's split on nuclear policy widened as the Christian Democrat Foreign Minister warned the Socialist Defence Minister not to isolate the country inside Nato. Page 2

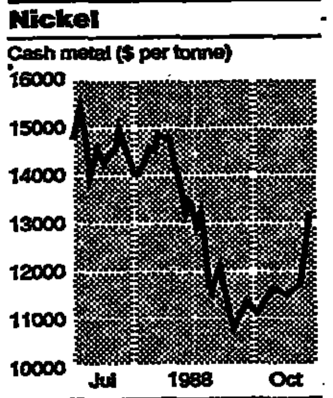
US signal to N Korea
The US announced conciliatory gestures towards North Korea, including relaxation of travel restrictions, in support of South Korea's initiative to reduce tensions on the divided peninsula.

Business Summary

Inquiry into Minorco's Gold Fields bid widens

BRITAIN'S Department of Trade and Industry sparked off fresh controversy over its handling of hostile £2.9bn ($5.1bn) bid by Minorco for Consolidated Gold Fields by announcing Monopolies and Mergers Commission would look into dealings in Gold Fields shares in six months leading up to offer. Page 23; Lex, Page 24

NICKEL: A sharp fall in London Metal Exchange nickel stocks prompted a jump of $1,250 to $13,150 a tonne in cash prices, with three-month metal up $750 to $11,825 a tonne.



Rise took futures through $5 a lb barrier to $5.27 a lb, despite widening of premium of cash over three-month deliveries. Page 44

DRESDNER Bank, West Germany's second largest bank, launched DM760m ($440m) rights issue in first call on shareholders since it raised over DM1bn in linked rights issue and warrant bond deal in March 1986. Page 25

HANSON, international conglomerate, is to sell Durkee Industrial Foods of the US to Unilever, Anglo-Dutch consumer products group, for $185m. Page 25

EUROPEAN Commission will later this month impose anti-dumping levy of 20-30 per cent on blank video tapes imported from South Korea, leading tape distributor said. Page 8

KUWAIT made an official request for more time to meet the UK Government's demand for it to reduce its stake in British Petroleum from 21.6 per cent to 9.9 per cent within a year. Page 25

YUGOSLAVIA'S annual inflation rate rose to 236.3 per cent in October from 217 per cent in September. Page 2

SWEDISH industry needs more flexible ownership structure through measures such as partial privatisation, limits on cross-ownership stakes and more freedom for institutions to invest in companies, according to parliamentary committee report released yesterday. Page 28

KRAFT and Philip Morris shares soared on Wall Street after two companies announced $13.1bn merger creating world's largest consumer products company. Page 26

SOUTH AFRICAN coal mining companies gave contrasting reports of state of export markets following international sanctions moves. Page 27

CHEUNG Kong Holdings, Hong Kong property concern, is bidding for remainder of Green Island Cement, its 44.6 per cent held associate, with cash offer valuing Green Island at HK$2.03bn ($260.3m). Page 27

BOEING said that on current trends, it expected 1988 sales around $17bn, up from $15.36bn in 1987. Net income last year was $480m, or $3.10 a share.

A blue, blue day in court for Mrs Marcos

JUST AFTER 11am yesterday, a stir ran through the Filipino women gathered together at the back of Judge John Keenan's courtroom in downtown Manhattan, writes James Buchan in New York. In the middle of dialect, you could pick out the Spanish word for blue, over and over again.

"It's blue," said Ms Cecilia Gallas, a freelance journalist from the southern Philippine state of Leyte, breathlessly. "It's long. It's beautiful."

A few minutes later, Mrs Imelda Marcos stepped gently into the courtroom. She was dressed in blue: to be precise, a floor-length Spanish evening dress of bright aquamarine silk, enormous butterfly sleeves and a flurry of jewelled ornament on the front. She smiled bravely at the public.

By some standards, she was dressed demurely. Her earrings were plain pearls. It is possible, as her counsel claims, that she is broke. But one can say with absolute confidence that no such outfit had ever been seen in Judge Keenan's courtroom before.

Mrs Marcos was in court to hear charges that she and her husband, ex-President Ferdinand Marcos, had embezzled more than $100m from the Philippines and used it to buy three well-known buildings in New York. They are also charged with defrauding US banks. Mr Marcos was absent because of illness.

The hearing, which began so regally, rapidly slipped into farce. The prosecution demanded that the Marcoses post $5m in bail. Mr John Bartko, for Mrs Marcos, said they could not.

At this, the public benches became uncomfortable. You could almost hear the people ticking them off: the private aircraft that brought Mrs Marcos to New York on Sunday, the $2,000-a-day suite at the Waldorf Towers, the 20 pieces of luggage, the travelling secretary, the nurse, the priest, the shoes, the shoes. Mr Bartko was quite unfazed. "The simple fact," he said, "is that the Marcoses, since their arrival in the United States have been forced to live on borrowed funds."

But Judge Keenan was having nothing of this. A native New Yorker, with stretched vowels and a polystyrene cup of coffee to drink from, he interrupted Mr Bartko. The Marcoses would have to put up $5m, he didn't care where from, and by Thursday. Meanwhile, Mrs Marcos cannot leave his district, which includes many fine shops.


Imelda Marcos arrives at court in New York yesterday where she is appearing on charges of embezzlement

Walesa says Gdansk shipyard closure will increase tension

By Christopher Bobinski in Warsaw

THE POLISH Government yesterday announced plans to close the Lenin shipyard in Gdansk, in a move apparently aimed at depriving the banned Solidarity trade union of its birthplace and most symbolic stronghold.

The action, announced yesterday, comes on the eve of a visit to Poland by Mrs Margaret Thatcher, the British Prime Minister, during which she is due to meet Mr Lech Walesa, Solidarity's leader.

British officials said the Prime Minister did not intend to modify her programme, which foresees a meeting with Mr Walesa in Gdansk on Friday, though the possibility of workers' demonstrations could create a turbulent climate for the discussions.

Mr Mieczyslaw Rakowski, the Polish Prime Minister, said the decision to close the heavily-subsidised, loss-making shipyard had been taken on economic grounds as a first step towards streamlining Polish industry. He claimed it was "an economic move ... it has nothing to do with Solidarity."

"If you want to make the economy healthy you have to start with very strong measures," he said in an interview, adding that more closures of loss-making enterprises would be announced soon.

Mr Walesa, an electrician and one of 11,000 workers at Poland's biggest shipyard, claimed its closure was a political move aimed against his union.

"Solidarity will defend the workplace which for it and the whole nation is a symbol of the struggle for a new and better Poland," he said.

Mr Walesa accused Mr Rakowski of taking a decision that would cause "tension and conflicts" in Poland.

"It's a political provocation by Prime Minister Rakowski aimed at the cradle of Solidarity," Mr Walesa said after PAP, the official news agency, announced the closure, which will take effect on December 1.

"It is not economics or economic reform. It is politics and trickery that led to this decision," the Solidarity leader told news agencies by telephone from Gdansk.

Mr Walesa pledged support for the efforts of the yard's elected workers' self-management council to save the plant and called for the appointment of competent management, improved labour organisation and changes in the structure of production.

The shipyard has been the focal point of opposition to the communist Government since August 1980 when Mr Walesa led the nationwide wave of strikes which spawned East Europe's first independent trade union.

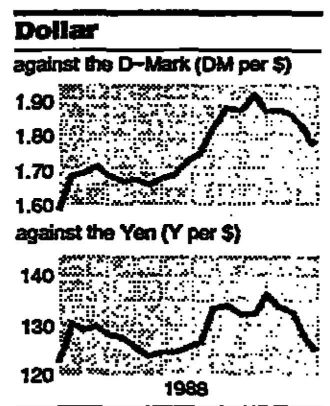
Gdansk shipyard workers went on strike twice again this summer demanding the re-legalisation of Solidarity.

There was no immediate reaction to the Government's official statement from the rest of the country's workforce because of the All Saints holiday.

Mr Rakowski acknowledged the possibility of strikes against the closure, but indicated he was ready to deal with trouble.

"I expect some difficulties but it seems to me there is no other way," he said. "The question is how strong the resistance will be as it will be stupid to strike against economic and not political decisions."

The Polish authorities said liquidation procedures would last a year after the shipyard closure in December. The workforce was promised alternative employment.



Fed steps in to prop up dollar

By Simon Holberton in London

THE DOLLAR was lifted off its lows yesterday after a well-timed and public intervention in New York currency markets by the Federal Reserve, the US central bank, following heavy selling earlier in Japan.

The US currency had been sold aggressively by large investors in Tokyo and was forced through the significant Y125 level in spite of intervention by the Bank of Japan, the Japanese central bank.

The Fed's intervention, at the start of US trading when the dollar was at the Y124.45 level, caught operators short and subsequent trading pushed the dollar to around Y125.5.

In European trading, dealers seemed wary of taking the dollar substantially lower and appeared more interested in buying sterling. The pound closed unchanged against the dollar but up 1 pfennig against

Continued on Page 24

Lex, Page 24; Currencies, Page 40

Sears, Roebuck plans major restructuring

By Roderick Oram in New York and Deborah Hargreaves in Chicago

SEARS, ROEBUCK, the world's largest retailer, yesterday announced an extensive corporate restructuring aimed at reviving flagging fortunes which have made it the subject of takeover speculation on Wall Street.

Mr Edward Brennan, chairman of the 102-year old Chicago company which is synonymous with American consumerism, said it had received no takeover offers. He admitted, however, that the recent flurry of market rumours had hastened the announcement of the plan which had been a year in the making.

Sears' shares were actively traded last week after the unprecedented bids of $20.6bn and $13.1bn for RJR Nabisco and Kraft respectively made it clear sheer size was no longer a defence. They fell $1⅞ to $41⅞ yesterday morning, giving it a market capitalisation of about $16bn.

The market appeared disappointed by the scope of Sears' plans because the recent large bids had heightened expectations of investors and analysts. Some had even speculated it might divest its Dean Witter brokerage house or its Allstate insurance operations. But Sears said yesterday it remains fully committed to financial services, which generate half its revenues.

All Sears is offering shareholders in the near term is the buyback of up to 40m (roughly 10 per cent) of its shares. Sale of the Sears Tower, the world's largest skyscraper, and several financial service units will help fund the purchase. It will keep many of its headquarters staff in the landmark building, however.

Estimates of Sears' break-up value vary between $60 and $90 a share.

A takeover or leveraged buy-out is "possible but unlikely," said Mr Walter Loeb, an analyst with Morgan Stanley. "It is too complex a company. Merchandising is very difficult to change, except by merchants themselves."

Sears has suffered badly by sticking with its philosophy of being all things to all consumers. It has lost market share in the process to discount and specialist stores. It recently reported its third consecutive decline in quarterly profits and its return on equity last year was only 12.4 per cent, against 15.3 per cent for the retail industry as a whole and 27.5 per cent for Wal-mart, the nation's third largest retailer.

It announced yesterday a radical shift in its retailing philosophy. It will, for example, shift to "every day low prices" rather than periodic sales promotions, sell many more name brand goods, develop more specialist stores and streamline operations.

On the financial services side, Sears will sell the commercial division of its Coldwell Banker property operations and refocus the business insurance division of Allstate, the second largest US property caualty insurer. It will also strengthen the brokerage operations of Dean Witter, which is already the third largest retail broker in the US.

Lex, Page 24; Background, Page 25

Moscow offers 'examination' of its record on human rights

By John Lloyd in Moscow

A SENIOR Soviet official has acknowledged that his Government's proposal to stage a conference on human rights in Moscow will call for "more efforts" on the part of the Soviet Union – and has said the country was ready for the "strictest examination" of its human rights record, including visits to prisons and psychiatric hospitals.

Mr Alexei Glukhov, First Deputy Head of the Foreign Ministry's human rights department, told journalists in Moscow yesterday: "We understand that such a conference will call for more efforts on our part, but it will also stimulate more movement. We would be prepared for the strictest examination, without hiding our weak points and our unsolved problems."

However, the figures he gave for political prisoners are well below the count of nearly 200 used by Western governments. He said there were only 11 prisoners who could be categorised as political – but added that a further 25 had been "convicted of criminal offences and sent to psychiatric institutions.

"I think this figure will be reduced little by little and I hope it will come down to zero, but when, I don't know," he said. He confirmed that a group of US psychiatrists would visit Moscow next week and would be allowed to visit "any institution of their choice."

Official comment in both the US and the UK – most recently by Sir Geoffrey Howe, Britain's Foreign Secretary – is presently hostile to

Continued on Page 24

Japanese to raise chip capacity

By Guy de Jonquieres in Tokyo

JAPANESE semiconductor makers are increasing production capacity in response to strong worldwide demand which has led to a shortage of many types of widely used microchips, particularly dynamic random access memories (D-Rams).

The spate of announcements coincides with a forecast by the Ministry of International Trade and Industry of a sharp increase in the Japanese industry's output of the latest 1 Megabit D-Rams during the next six months.

However, the industry's further investments are not expected by industry analysts to do much to relieve chip supply shortages in the near term, partly because it will be at least six months to a year before the extra capacity comes on stream.

Japanese semiconductor makers have also been exceedingly cautious about adding new capacity since the collapse of the world market in 1985 forced them to retrench sharply. Market research company Dataquest estimates their total investments this year at Y483bn ($3.73bn), barely half the Y868bn invested in 1985.

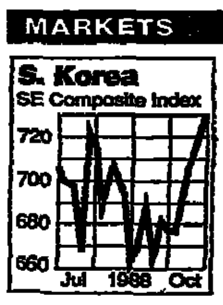
The largest of the latest increases in investment is by Mitsubishi Electric, which has raised its planned spending on chip-making equipment in the year to March to Y45bn from the Y25bn budgeted previously. NEC, Toshiba and Hitachi have all stepped up their planned investments by 20-25 per cent.

Fujitsu has announced an increase of 40 per cent, though some of this is for products other than chips. Fujitsu is also the only one of the five companies not to have raised its production forecast for the current year.

Continued on Page 24

MARKETS

S. Korea
SE Composite Index



INTEREST RATES
US lunchtime
Federal Funds 8⅜% (8¼)
3-mth Treasury Bills: yield: 7.58% (7.61)
Long Bond: 103 25/32 (103 5/16)
yield: 8.76% (8.8)
London
3-month interbank close 12 1/16% (12)

STERLING
New York close
$1.7665 (1.7715)
London:
$1.7685 (same)
DM3.15 (3.14)
FFr10.7575 (10.725)
SFr2.6550 (2.65)
Y222.0 (222.5)

DOLLAR
New York close
DM1.7860 (1.7727)
FFr6.0975 (6.036)
SFr1.5067 (1.4937)
Y125.67 (125.62)
London:
DM1.7815 (1.775)
FFr6.0825 (6.065)
SFr1.5015 (1.4980)
Y125.50 (125.75)

GOLD
New York latest
Comex Dec
$415.1 (414.9)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,148.65 (-1.24)
S&P Comp
278.54 (+.01)
London:
FT-SE 100
1,852.4 (-6.0)
World:
133.17 (Fri)
Tokyo
Nikkei Ave
27,832.8 (+21.53)
Frankfurt
Commerzbank
1,631.7 (-5.3)

OIL
Brent 15-day (Argus)
$12.475 (-.175) (Nov)
West Tex Crude
$13.695 (-.13) (Dec)

CONTENTS

Britain's companies try to get the 1992 message across

Alan Lewis, leader of the Confederation of British Industry's 1992 campaign, has persuaded 10 companies to fund and run the latest project explaining the single market - enthusiasm which will cheer Mrs Thatcher's ministers
Page 23

Belgian coalition disagreement on N-arms widens

By David Buchan in Brussels

THE BELGIAN coalition Government's public split on nuclear policy widened yesterday as the Christian Democrat Foreign Minister warned the Socialist Defence Minister not to isolate the country inside Nato on nuclear weapon modernisation.

Mr Leo Tindemans, the Foreign Minister from the dominant Flemish CVP in the five-party coalition, warned in a long newspaper interview that the Socialists would pose "big dangers" to the Government's survival, if they persisted in *the flat opposition to nuclear* modernisation which Mr Guy Coeme, the Defence Minister, had voiced before last week's Nato meeting at Scheveningen.

Mr Coeme eventually accepted the blandly-worded Nuclear Planning Group communique which dodged the modernisation issue by simply noting that "no specific measures are required now on the implementation of specific measures."

However, this was not before he had earned the anger of his Christian Democrat colleagues for nearly placing Belgium in the same "footnote" category as Greece, which routinely dissociates itself from every Nato nuclear statement.

Mr Tindemans described as "a running-in problem" last week's press leak that the Belgian Government had purportedly agreed collectively to go even further than West Germany in opposing, not just delaying, modernisation of short range nuclear weapons like the Lance which Belgian and other allied forces deploy in West Germany. He said he had not been fully consulted on any such decision.

But nuclear policy was also a problem that the five-party coalition was bound to run into, and sooner rather than later. *In May Mr Wilfried Martens*, the Prime Minister, swapped right-wing Liberals for Socialists as partners and changed his coalition Government's complexion from centre-right to centre-left.

This brought in two parties – the French and Flemish-speaking Socialists – which had been out of power since 1981 and had had no hand in the post-1983 deployment of US cruise missiles at Florennes in southern Belgium. Leading Flemish Socialists like Mr Willy Claes, the Economy Minister, and Mr Louis Tobback, the Interior Minister, have been even more outspoken against nuclear modernisation than Mr Coeme's francophone Socialists.

Commission steps in as European fur flies

By William Dawkins in Brussels

INTERNECINE warfare in the fur trade yesterday prompted the European Commission to impose an Ecu500,000 (£330,000) fine on the Danish organisation which dominates Europe's mink sales.

The penalty is the result of a complaint lodged three years ago by Hudson's Bay Annings (HBA), London's largest fur dealer, that its agents were being unfairly refused access to auctions run by Dansk Pelsdyravlerforening (DPF), the Danish fur breeders' association. The latter has changed its rules to allow more competition as a result.

HBA, since taken over by a Finnish company, resented being cut out of the Danish fur auctions, since DPF controls 72 per cent of the EC's production of mink as well as having a very strong position in fox and chinchilla.

Some 18m furs of all kinds, including a third of the world's mink supply, were snapped up in DPF's Copenhagen auction rooms last year by 995 buyers from 28 countries.

However, DPF's hackles rose at the prospect of allowing the London fur trader in, believing HBA wanted to act as a dealer to on-sell to other fur buyers, rather than buying direct for its own use.

DPF did not allow sales to competitors, including intermediaries like HBA. The Danish group is a co-operative of 5,000 breeders, to which it offers a range of services like veterinary advice, guaranteed quotas for fur sales at its regular auctions, as well as artificial insemination for its members' prize foxes.

The London company tried to get round the restriction by recruiting three local fur buyers to act as its agents, but DPF threatened to throw them out of its auctions if they went on working for HBA.

Accordingly, the London company complained to the Commission that the Danish body was breaking EC rules outlawing agreements designed to carve up markets, fix prices, or otherwise distort competition.

Prague frees 100 opposition campaigners

By Leslie Colitt in Prague

THE CZECHOSLOVAK authorities yesterday released more than 100 people accused of inciting an illegal mass demonstration last Friday on the 70th anniversary of the country's independence.

It was the second large demonstration to confront the orthodox Prague leadership under Mr Milos Jakes in little more than two months. The opposition has called for a demonstration at the end of each month until the government agrees to sweeping political and economic reforms.

Several thousand mostly young Czechoslovaks gathered last Friday in Wenceslas Square and Old Town Square in Prague, singing the national anthem and chanting the name of modern Czechoslovakia's founder, Mr Tomas Masaryk. They were broken up by riot police using batons, water cannon and tear gas.

Mr Jiri Dienstbier, one of those released yesterday, said his interrogator in Ruzyne Prison on the outskirts of Prague repeatedly asked him about a political manifesto issued by the newly-formed Movement for Civil Liberties. Mr Dienstbier, a member of the Charter 77 Civil Rights Group, is also a member of the Movement, which is demanding political changes.

He and the others detained last week were released on Saturday, then rearrested, interrogated again and held in detention for another 48 hours.

He said the authorities realised they could not intimidate the detained opposition campaigners. But they were deeply worried about the growing lack of fear among the young Czechoslovak demonstrators who had no formal links with the opposition.

Nearly 10,000 young people demonstrated for the first time last August 21, the anniversary of the Soviet-led invasion.

The official media said last weekend that "de-classed elements" who initiated the demonstration had "misused" the young people.

The "open confrontation" was aimed at casting doubts on the process of "restructuring and democratisation" in Czechoslovakia and of discrediting it.

Mrs Anna Sabatova, a Charter activist, said the recent government reshuffle which brought some younger conservatives into the party leadership, confirmed it was only paying lip service to Soviet-style reforms.

She claimed the widespread apathy among Czechoslovaks which had lasted 20 years was now "slowly lifting."

While cracking down hard on public dissent, the authorities also announced an amnesty and said legal charges against 160,000 citizens will be dropped. The amnesty includes persons who illegally left Czechoslovakia after 1968.

Inflation rate reaches 236% in Yugoslavia

YUGOSLAVIA'S annual inflation rate rose in October to 236 per cent, Reuter reports from Belgrade. Official figures showed retail prices rose 19.1 per cent last month compared to 15.4 per cent.

The latest rise was a blow to Prime Minister Branko Mikulic's economic programme, under which inflation – the highest in Europe – was supposed to be cut to an annual 95 per cent by the end of this year.

The government has not yet commented on October's figures, but last Friday, President Raif Dizdarevic criticised it for "losing the battle against inflation." He also blamed Moscow for fuelling rising prices by failing to cut a $1.7bn barter trade deficit with Yugoslavia. The deficit had forced Belgrade to print money to help Yugoslav companies which had not been paid by Moscow.

Ozal's assailant pleads guilty

Mr Kartal Demirag yesterday pleaded guilty in Ankara to the attempted assassination of Mr Turgut Ozal, Turkey's Prime Minister, last summer, writes Jim Bodgener. He said he had acted alone. An unidentified organisation quoted in a threatening letter he had sent had been a fabrication. A fugitive from prison since early this year, Mr Demirag said he had planned the assassination because of bad prison conditions, and anger at the government's failure to grant an amnesty to other prisoners.

Italy faces growing drugs problem

By John Wyles in Rome

SIX drugs-related deaths in 36 hours in a single Italian city and a philosophical clash between the country's two main governing parties over how severely users of drugs should be penalised have thrown into stark relief a social problem which hitherto many Italians have seemed reluctant to confront.

Ms Rosa Russo Jervolino, the Christian Democrat Minister for Social Affairs, is expected to open discussions tomorrow with Mr Gianni De Michelis, the Socialist deputy-prime minister, on possible changes in her draft anti-drugs law which failed to clear the Italian cabinet last Friday.

After Mr Bettino Craxi, the Socialist party leader, laid down a firm line on the need to penalise drug takers as well as pushers, Mr De Michelis faithfully insisted the draft should include penalties against consumption. A poll published yesterday by the magazine Panorama suggests 57 per cent of Italian people are behind Mr Craxi's stand.

Under the existing 13-year-old law an individual can be found in possession of an undefined "modest" quantity of drugs without suffering any penalty. Ms Jervolino proposed they be subjected to therapeutic care on the first two offences and prosecuted on the third.

Public concern about the extent of the drug problem in Italy has been growing in line with the sharply rising curve of deaths from overdoses together with evidence that the multiple use of syringes, rather than sexual behaviour, is a key factor in the country's growing number of Aids cases.

Six people, all in their twenties, were found dead from overdoses in Turin at the end of last week in a shocking addition to a death toll which nationwide has reached 594 in the first ten months of this year compared to 534 in all of last year.

Although many of the fatalities - most commonly involving heroin - are of young people from poor backgrounds, the problem seems concentrated in the richest parts of the country.

So far this year, Lombardy has registered 180 drug-related deaths, followed by Piedmont with 60.

In Sicily, where the Mafia has grown immensely prosperous and powerful on the back of the drugs trade, only 16 deaths have been reported this year.

According to a recent European Parliament report, the Italian drugs market will top L40,000bn (£17bn) this year, compared to L22,000bn in 1986.

Kohl calls conference on 1992 EC open market

By David Goodhart in Bonn

MR Helmut Kohl, the West German Chancellor, has called a national conference on Europe 1992 - to include business, the trade unions and consumer organisations - for December 7.

The conference will discuss how well German companies are prepared for 1992 and the "social dimension" of the open market. The West German economy, the strongest exporter in Europe, is widely expected to be one of the main beneficiaries of the open market.

A recent poll reported that only 10 per cent of companies expected difficulties but certain highly-regulated industries like transport, energy and insurance are expected to suffer, at least in the short-term.

German trade union leaders fear the export of jobs to low-wage economies and are calling for a social charter to prevent "social dumping". However Mr Franz Steinkuehler, leader of I G Metall, the biggest union in West Germany, said at the weekend that German workers must be prepared to see some jobs disappear to poorer EC countries.

Bonn worries grow over tide of refugees

By David Goodhart in Bonn

WEST GERMAN politicians are starting to articulate growing domestic anxiety about the sharp increase in the immigration of political refugees and *Aussiedler* – Eastern bloc citizens of German descent. More than 100,000 political refugees and more than 200,000 *Aussiedler* are expected to settle in the country this year.

From the right, Mr Friedrich Zimmermann, the Christian Social Union Interior Minister in the Bonn coalition, is backing the comments of Mr Lothar Späth, prime minister of Baden-Württemberg, who said at the weekend that West Germany's liberal asylum laws should be brought into line with those elsewhere in the European Community.

From the left, Mr Oskar Lafontaine, the outspoken deputy chairman of the Social Democratic Party, has condemned the *Aussiedler* law – which grants citizenship rights to anyone who can trace German ancestry – as based on a spurious concept of "Germanness".

He implies *Aussiedler* should only be granted entry if, like political refugees, they can claim political persecution in their country of origin.

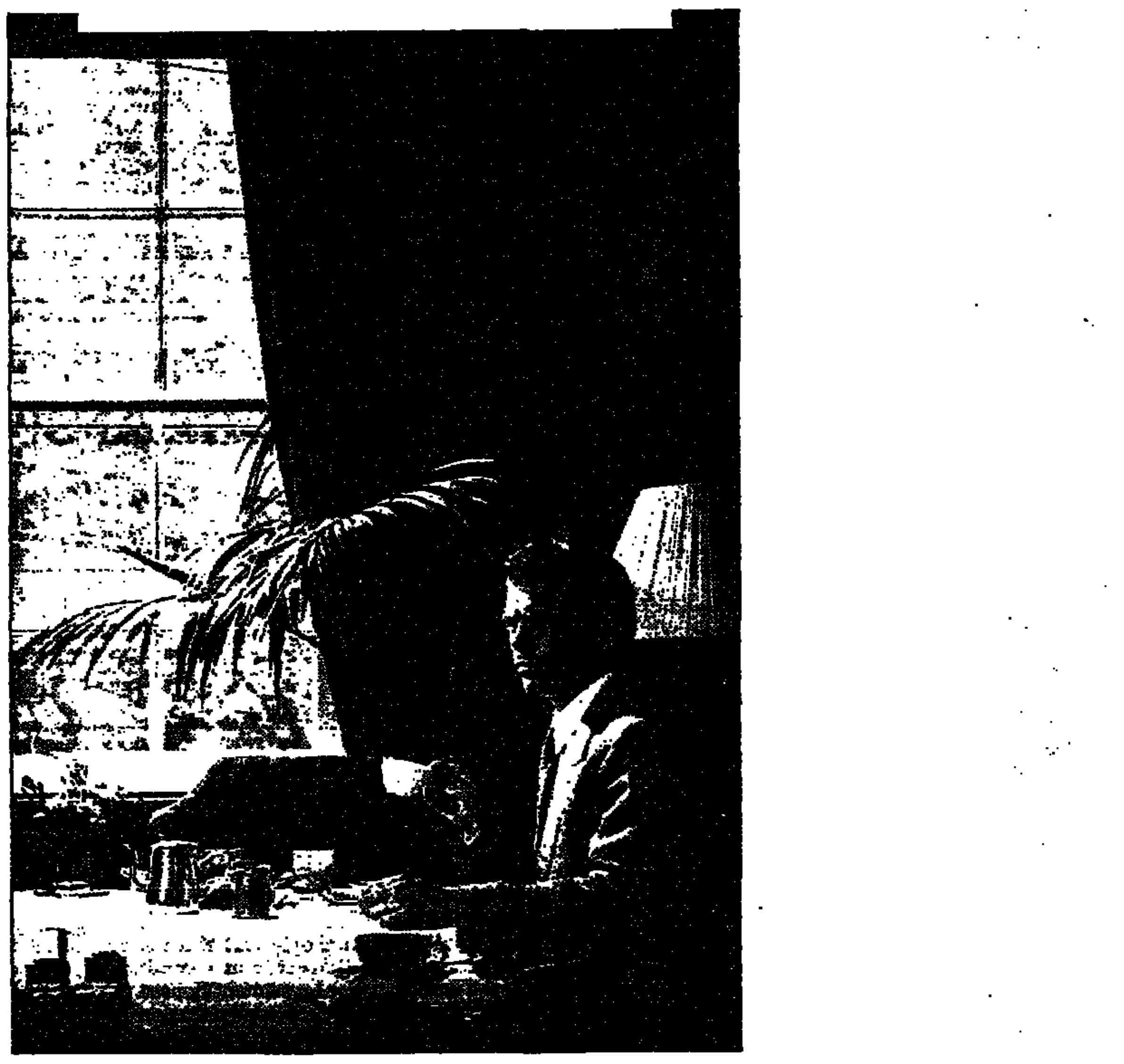
The trouble is, argue the supporters of tighter asylum laws, that political refugees do not in practice have to prove they are the subject of persecution and often seek entry for economic reasons.

Bonn's asylum code – Article 16 of the 1949 Basic Law – protects "persons persecuted on political grounds". But the real difference from other Western countries lies in a clause of Article 19 which gives asylum-seekers rights of residence and access to legal aid while they try to prove their case.

In practice, few are ever thrown out and most of the 800,000 refugees (out of a total "alien" population of 4.6m, 7.6 per cent of the total) are never granted official status. However the fact that 75 per cent of asylum-seekers are now non-whites from the Third World and are an increasing burden on *Länder* (state) finances, at a time of expensive *Aussiedler* immigration, has caused public sympathy to wither.

However, change is not imminent as a two-thirds majority in the Bundestag is needed to tighten the asylum rules in the Basic Law. Similarly, although there are mixed feelings about the (potentially 3.5m to 4m) *Aussiedler*, Mr Lafontaine has been firmly put down by other SPD officials for questioning their "right of return".

And far-sighted government officials point to West Germany's declining and ageing population as a reason to encourage, not discourage, immigration.



Both sides in Poland look for a lift from Thatcher

Christopher Bobinski writes from Warsaw on the hopes riding on the British Prime Minister's visit

IT IS a measure of Poland's increasingly paradoxical state that Mrs Margaret Thatcher, who arouses intense conflicting emotions on either side of Britain's political divide, can expect a warm greeting from both the Government and the *Solidarity opposition* in Warsaw tomorrow. Her three-day visit beginning tomorrow afternoon is the first by a British head of government.

The Communist leadership, bowing at the airport to kiss her hand in that elegant greeting which somehow in Poland has survived the demise of the bourgeoisie, view her as someone who has successfully faced the challenge of an unruly trade union movement and restored the British economy to *health*.

For Solidarity and the population at large she epitomises the quest for human rights, mainly, of course, in the way she rarely minces her words *about the iniquities of Soviet-style* socialism.

Indeed, the long-running debate on the country's economic future has even thrown up a free market Thatch*erite wing among Solidarity's econo*mists. It is they who attack the movement's social democrats for their adherence to "democratic collectivism".

Even prominent activists like Mr Zbigniew Bujak from Warsaw now see the struggle for economic freedom as the main priority, and argue that the union should readily accept unemployment and push actively for the closure of loss-making enterprises.

The division is even mirrored in the *official OPZZ unions* where the economic policy advisers have split into two camps preparing rival programmes, one seeing salvation in the freeing of prices and markets, the other sticking to the better-known paths of a competently planned economy dominated by the state sector.

It would be a happy predicament for any politician. Mrs Thatcher, mindful of the television audience back home, can be expected to make the most *of it as she sweeps from* meeting to meeting with officials, churchmen and dissenters, laying the appropriate wreath at various monuments and greeting the well-wishers *on her way*.

What the Poles will get from the trip is another matter. Mrs Thatcher is far from any thought of an aid package for Warsaw. And with all sights set *on the vast Soviet market*, the trade aspects of her visit to Poland are minimal. The UK is expected by the end of the year to have sold goods here worth slightly less than the £181m-worth exported in 1987. *Polish sales to Britain are growing*, though, and could reach £340m this year, £40m-worth more than in the previous 12 months.

Instead, the human rights issue will be the main theme. On Friday, Mrs Thatcher will be in Gdansk, Solidarity's birthplace. *This is the first time* the authorities have agreed to include the city in a prominent Western visitor's itinerary and opposition supporters will be out in force. Mrs Thatcher will lay flowers at the memorial to workers killed in the food price rise demonstrations in 1970 just outside the gate of the Lenin Shipyard which the authorities yesterday announced that they would close by December 1. Later, over lunch in the rather grand vicarage of St Brigid's Church, a Solidarity bastion, she will hear from Mr Lech Walesa about the chances for a return of his banned union to the public arena.

For the time being, those chances look dim. In public, the authorities continually go back on whispered private promises that the union could be legalised as part of a political and *economic package to be hammered* out at a much-heralded and yet-to-be-convened round-table meeting.

Instead, there is an official offer of political change which would bring the opposition into parliament and government, making it co-responsible for difficult economic decisions. That carries the very real risk that Solidarity would find itself cut off from its working-class base, and it is not enough to lure Mr Walesa to the table.

However, the authorities are making it easy for Solidarity to drag its feet as regards the meeting by insisting on the removal from the union team of two key advisers, Mr Adam Michnik and Mr Jacek Kuron. They are also continuing to victimise some 100 miners involved in the August strikes which gave rise to the round-table initiative.

Solidarity can also make the point *that Poland already owes $36bn* overseas, and desperately needs credits, but that fresh loans can only be granted to an economy which is in the process of being reformed, or to *industries and private companies* which guarantee the money will not be squandered.

Reform is a subject which General Wojciech Jaruzelski, the party leader, *will readily take up in his meetings* with Mrs Thatcher. He and his new Prime Minister, Mr Mieczyslaw Rakowski, will seek to convince their guest that they are determined to *press ahead with imposing market* mechanisms on the economy, and cutting back inefficient industries in order to free resources for the development of consumer goods and export sectors.

The announcement that the loss-making Lenin yard will be closed is *designed not only as a direct chal*lenge to Solidarity but also to provide proof at home and in the West that the will lies behind the words.

The Polish leaders will also be able to point to a 20 per cent rise *in hard* currency exports this year, yielding *an optimistic $1bn trade surplus after* nine months. Next year they are planning to repeat the performance. At the same time relief on the debt service burden is seen as crucial if living *standards are to rise and restructur*ing is to be accomplished.

Mr Rakowski, beset by an inflation rate in excess of 60 per cent and the ever-present threat of renewed indus*trial unrest, is making it a tenet of his* government, sworn in less than a month ago, that it is improvements in people's day-to-day living conditions that count in building support for the *authorities*.

He has little time in which to get results. This week's visit will show how much sympathy he can extract from Mrs Thatcher for his predica*ment*.

Greece puts exit ban on accused banker

By Andriana Ierodiaconou in Athens

GREECE YESTERDAY imposed an exit ban on the banker and press magnate Mr George Koskotas, who was charged 10 days ago with embezzlement and illegal foreign exchange transactions, as the political and financial ramifications of the scandal continued to send shock waves round the country.

The restriction was ordered following an accusation by the *Government* at the weekend that Mr Koskotas had attempted to block the legal process by blackmailing leading members of the Socialist administration with forged documents. These purported that government members had accepted bribes of millions of dollars from him through a major international investment bank. Mr Koskotas has denied making any such attempt.

The disclosure was made by the man who topped the *alleged graft list*, *Mr George* Papandreou, the Education Minister and son of Greece's Socialist Prime Minister. The list included the Minister of Transport and the Director of the Prime Minister's Political Office.

Following legal suits filed by the three men yesterday, Mr Koskotas was formally charged with slander and forgery.

Mr Papandreou's statement, backed by a letter from his New York lawyers, that the papers said to have been submitted by Mr Koskotas were forged, is not being doubted. However, the Government still finds itself under a cloud of suspicion.

Not only did the 34-year-old *Mr Koskotas's dazzling rise* from obscurity to power between 1982 and 1988 coincide exactly with the period of Socialist rule in Greece, but his contacts in the political world appear to have been extensive.

On the financial side, the main concern relates to the survival of Mr Koskotas's enterprises, which employ 3,500 people and include the second largest Greek private bank, three daily newspapers, a radio station and a leading soccer team.

His Grammi publications continued to go to press yesterday, while negotiations were reported under way for the sale of the Bank of Crete.

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Portugal to privatise insurance companies

By Diana Smith in Lisbon

THE PORTUGUESE Government has announced plans to privatise two state-owned insurance companies, Tranquilidade and Aliança Seguradora.

The authorities *hope to raise* about Es 7.5bn (£29m) by selling 49 per cent of the capital of the enterprises that are, respectively, Portugal's fourth and sixth largest insurance companies.

In July, as part of a plan to streamline a heavily indebted public sector, the government of Mr Anibal Cavaco Silva said it would privatise 49 per cent *of the country's second-largest* brewery, Unicer, and fourth largest bank, Banco Totta e Acores.

That process is now under way. The Banco Portugues de Investimento, Portugal's first private investment bank, was invited last month to handle the privatisation of the two *enterprises*, while Banco Comercial Portugues and Baring Bros were invited to make independent evaluations.

Now agreement has been *reached between the ruling* Social Democrats and the Socialists, Portugal's second largest party, to remove from the 1976 Constitution clauses *calling for state intervention in* the economy and banning denationalisation, the authorities should be able to proceed with full privatisation in late 1989 or *early 1990*.

The surprise resignation late last week of Mr Vitor Constancio, secretary-general of the Socialist party, is not expected to affect, as some entrepreneurs had feared, the validity of the constitutional revision agreement negotiated by both parties.

China bank in syndicated loan for Soviet Union

By Stephen Fidler, Euromarkets Correspondent

THE BANK of China, the specialist foreign exchange bank of the People's Republic, has for the first time joined a syndicated loan for the Soviet Union.

The Chinese role in the financing, a $50m seven-year loan for Vnesheconombank, the Soviet bank for international *affairs*, *will be seen as further* evidence of a warming of the relationship between the two countries ahead of the possible Sino-Soviet summit in the middle of next year.

Nevertheless, Bank of China officials in London were yesterday describing its participation as a purely commercial decision unrelated to political factors. The Bank has previously held Soviet floating rate notes and *à forfait* paper.

The *general purpose credit*, which has been completed but not signed, was arranged by Postipankki of Finland, which initiated the contact with Bank *of China in London*. The other lenders comprise Skopbank of Finland, Algemene Bank Nederland, Copenhagen and Provinsbanken of Denmark.

● *Soviet and Chinese* negotiators have settled most of their differences over the eastern sector of their boundary in talks which in Moscow yesterday, Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, AP reports.

He said negotiations would continue on remaining disputed areas along the eastern border, and a joint working group would study *differences* over the western frontier.

Gorbachev hints military service could be reduced

SOVIET leader Mikhail Gorbachev, seeking to enlist the support of young people for his reform programme, has hinted that *obligatory two-year* military service for men could be reduced, Reuter reports from Moscow.

Mr Gorbachev was talking to a group of young people at a rally to mark the 70th anniversary of the Komsomol Young Communist League on Saturday. The full text of his *remarks and speech to the* rally was issued by Tass news agency yesterday.

"In general, we must discuss the question of army service and call-up. I believe the length of service will be considered and it could be changed," the Soviet leader said.

However, he dismissed a question on the possibility of cutting back the Soviet army, saying this could be undertaken only in conjunction with similar steps by other countries, which were "maintaining *their armies and arming them*selves."

Military service has been obligatory in the Soviet Union since the early 1920s. Men serve two years in the army or three in the navy and are eligible for call-up after their 18th birthday.

In his speech, Mr Gorbachev appealed to young people to keep their faith in Communist Party policies. He said the country was only just emerging from a difficult period which had caused great dam*age to Soviet society*.

"Great harm was done not only to the economy, but also to people's convictions, their faith in the validity of declared aims – and to be quite honest, their belief in the party and in socialism," he said.

Those who grew up in the 1960s and 1970s were now sometimes thought of as a "lost generation."

Mr Gorbachev said some young people were impatient *for the perestroika renewal* process to move faster – a situation he blamed on opponents of change.

"Such people do not want *perestroika to go faster. Some* of them, moreover, do not accept perestroika at all," he said.

But while warning of the dangers of conservatism, Mr Gorbachev also spoke of the threat of "extremists," who put forward radical demands to speed up reform.

W European pledge on tighter pollution control

TWELVE Western European nations agreed yesterday to slash nitrogen dioxide pollution from automobiles and power stations in an effort to halt the destruction of the continent's forests and lakes, Reuter reports from Sofia.

The 12, including West Germany, France and Italy, signed a *declaration promising to cut* nitrogen dioxide emissions by 30 per cent over the next 10 years.

Nitrogen dioxide, known as *nox*, *is a major culprit in creat*ing acid rain which is killing forests throughout Europe and leaving lakes lifeless.

The other signatories of the *declaration* were Austria, Belgium, Denmark, Liechtenstein, the Netherlands, Finland, Norway, Sweden and Switzerland, which spearheaded the move.

Mr Adam Markham of the Worldwide Fund for Nature estimated that the signatories pump some 9m tonnes of nox into the atmosphere every year. He called the declaration a step in the right direction, but added: "The question is when are the really bad boys *like the UK, Spain and the* United States going to join in."

He said a 3m tonne annual cut would represent only a sixth of what the US alone releases every year.

Today, a far wider group of around 30 countries from both Eastern and Western Europe, including Britain and Spain, *will sign a protocol in the Bul*garian capital, Sofia, agreeing to freeze nox emissions at present levels.

Gandhi lays ground for early general election

By David Housego in New Delhi

MR RAJIV GANDHI, the Indian Prime Minister opened up the prospect of an early general election in India yesterday with a giant rally in New Delhi clearly intended to demonstrate the strength of his ruling Congress party.

In a speech before crowds estimated at several hundred thousand, Mr Gandhi took a combative, electioneering tone towards the opposition, chiding them for "unprincipled political alignments that could prove disastrous for the nation". Mr Gandhi has been under pressure from his advisers for some months to go on the attack both to revive his own image and to put some fire into the flagging Congress party.

Yesterday's rally was the largest that the party has held in Delhi since the last election in 1984. The occasion for it was the fourth anniversary of the killing of Mrs Indira Gandhi by Sikh extremists. *Rent-a-crowd* supporters were brought in by bus, truck and train from across the country to show that the party had not lost its crowd-gathering capabilities. Schools were closed in Delhi because of the large number of buses that had been comandeered for the occasion.

The rally is one of a number of recent signs that Mr Gandhi is preparing the ground for an early election if he should judge this opportune. Some of his supporters believe he could dissolve Parliament later this month with an election six weeks later.

There is no evidence to support this theory, however, and it is much more likely that Mr Gandhi has still not made up his mind. But his increased attentiveness to party matters and to political appointments within the states, as well as *recent campaign-style tours of* the Punjab and Tamil Nadu, show that the electoral bandwagon has been set in motion.

He has a calendar of diplomatic events that equally fit well into an electoral timetable. Mr Mikhail Gorbachev, the Soviet leader, visits India this month: Mr Gandhi goes to China in December: and there is also a heads of government meeting of South Asian nations in Pakistan in December.

On the economic front, the *good monsoon* and hence swelling demand in the economy, point to an early election before rising inflation erodes some of the benefits. Also an early poll would avoid the need for this administration to take the painful decisions over curbing the budget and balance of payments deficits that are looming.

But clearly the decisive factor in Mr Gandhi's calculations will be whether the coalition movement the opposition has formed can hold together – or whether with time its quarrels will get worse.

In remarks that clearly foreshadow *the line of attack he* would develop in an election campaign, Mr Gandhi said that the enemies of India were laughing at the opposition's antics which they hoped would weaken the country. He said that "the opposition spoke in different voices" and accused them of *adhering to different* ideologies "without any programmes and policies".

Recent public opinion polls suggest that the opposition parties could win the next election if they can put up single candidates against the Congress party or make electoral adjustments among themselves. Mr Gandhi's aim is to project himself as the protector of India's unity against divisive regional and communal movements.

If there is an early election in India next year, it would mean an unusually close bunching of elections in South Asia with Pakistan holding general elections this month and Sri Lanka, a presidential election in December. Mr Gandhi does not have to call an election before the end of next year.

Farmers end Delhi sit-in

THOUSANDS of farmers yesterday ended an angry week-long *sit-in* on the lawns of the Boat Club near the offices of the Indian Government in New Delhi, but vowed to launch a civil disobedience *movement to press demands* for a better farm deal, K.K. Sharma reports.

Mr Mahendra Singh Tikait, president of the Indian Farmers' Union, ordered them to end the protest and to return to their farms in 14 states from where they had come.

The planned civil disobedience will take the form of non-payment of dues to the Government such as taxes and electricity charges. The Farmers' Union has decided to continue the protest in the 11 states where it operates and extend it others as soon as new branches are opened.

The farmers' demands include higher prices for their produce, waiving of all loans, and fixed electricity rates. Talks with Indian ministers in the past couple of days have failed to throw up a solution.

Likud sells security line in wake of bus attack

By Andrew Whitley in Jerusalem

SUNDAY night's fire-bombing of an Israeli passenger bus travelling through the West Bank, in which four people including three very young children were horribly burnt to death, rammed home the Likud's "security message" to floating voters better than any campaign speech Prime Minister Yitzhak Shamir could have managed.

It was the sort of event which Labour Party strategists had privately been dreading; and it came at the worst possible moment.

Led by Mr Yitzhak Rabin, the Defence Minister and the Labour "hawk" who has been such an electoral asset to the party this year, its politicians tried hard yesterday to insist that the events in Jericho proved their point – the need to get out of the occupied territories – *but the pundits* were unanimous that the damage had been done.

Even the weather appears to be conspiring in favour of returning Mr Shamir to power – spared of the misalliance with Labour he has endured since 1984.

Conventional political wisdom in Israel has it that a fine polling day favours the more fickle Likud supporters, while Labour stalwarts supposedly turn out come rain or sun.

After a bleak foretaste of winter over the weekend, the sunshine thus duly returned yesterday, just as the meteorologists had predicted.

Today's forecast is for more of the same, suggesting that a high turn-out – maybe in excess of 80 per cent of the 2.9m strong electorate – is likely.

Psephologists from both the left and right wing camps agreed that a turn-out of below 75 per cent would swing the odds in favour of Labour, while one in the region of 85 per cent should wrap up the elections for the Likud.

In a gesture of respect for Mrs Rachel Weiss, the mother who died with her children in the Tiberias-to-Jerusalem coach, Labour yesterday cancelled its last election rally, a modest affair planned for Jerusalem's city centre. Likud, however, went ahead with a similar event.

It was an ugly mood in the city centre, as the plethora of parties big and small, prepared to close their pavement election booths for another four years.

Fist fights broke out between rival groups, while young Tehiya supporters – ultra-nationalists who favour annexing the occupied territories – paraded around with placards, shouting: "The blood of Rachel Weiss will be avenged".

"Moledet (a new party whose main platform is the expulsion of the Arabs in the West Bank and Gaza) is not good enough.

We have to get the Arabs out of Israel as well," muttered one young man. It was a sour end to one of the best-behaved election campaigns Israel has ever known.

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Japan faces trade friction as surplus creeps up

Stefan Wagstyl reports on the Tokyo debate over why export earnings have stopped falling

ECONOMIC relations between Japan and its main trading partners could get worse before they get better.

Statistics published by the Japanese Government last week confirmed what some *economists in Tokyo* have been saying since the early summer – that the steady decline in the Japanese trade surplus has stalled. The figures showed that instead of falling, the trade surplus in the third quarter of 1988 was at $22.6bn, some $300m more than in the same period last year.

Yesterday a Ministry of Finance official conceded the trade surplus in the current financial year to March 1989 would probably overshoot the Government's forecast of $81bn. Some private economists say the total may be not far short of last year's $94bn.

The slow-down may only be a temporary break in Japan's progress towards reducing the imbalance between its exports and imports, in response to intense pressure from the US and Europe.

But it could not have come at a worse time. In the US, both candidates in the presidential election have been promising to be tough on trade issues. In Europe, debate is raging over the future of the European Community's trade with the rest of the world after 1992. Trade relations between Japan and her partners are already tense – over anti-dumping penalties imposed by the EC, for instance, and US demands for entry to the Japanese rice market.

The lack of improvement in the trade balance could easily provoke more such arguments. "We have to be prepared that next year perhaps there will be more negotiations," says Mr Susumu Taketomi, senior financial economist at the Industrial Bank of Japan, with more than a touch of understatement.

Much depends on whether the slow-down in the speed of adjustment lasts only until the end of the year, as some Tokyo economists suggest, or longer, perhaps to the end of 1989.

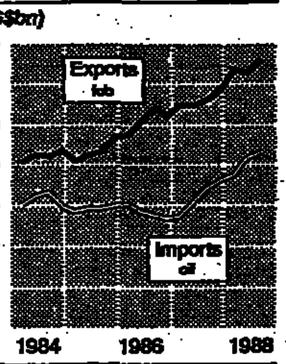
Things may not be as bad as they look because one of the principal causes of a deceleration in the rate of improvement in Japan's trade balance is the worldwide decline in oil prices. While Japan, as the world's biggest importer, benefits more than most, almost all industrialised countries gain from lower energy bills. Also, statistical distortions *exaggerate an apparent decline in the* volume of Japan's oil imports.

However, the second main reason for the halt in the improvement of the trade surplus is an unexpected surge in Japanese exports. Some Tokyo-based economists say this will be short-lived because it is based on a spurt in economic growth in industrialised countries, which already shows signs of waning.

Japanese exports, especially of electronic and control equipment for offices and factories,

Japanese Trade

(US$bn)



were boosted by a surge in capital investment. These exports can be expected to fall off quite sharply, say those who expect a rapid resumption in the decline in Japan's surplus.

Moreover, there are signs that the long-run appreciation of the yen is at last biting into export marketing. For a long time after the yen started rising against the dollar, many Japanese companies were able to keep export prices from rising greatly by a combination of gains derived from cost-cutting, lower import costs, and higher domestic sales.

However, export prices are now going up. According to UBS Phillips & Drew, the stockbroker, the ratio of export prices to domestic prices fell from 100 in 1985 to 85 in early 1988. At the end of September it was 88. While price increases could produce a temporary boost to exports in value, the eventual effect should be to cut them back.

Nevertheless, there are some powerful arguments against expecting a sudden improvement in Japan's trade balance. First, while the level of exports *may fluctuate*, Japan shows little sign of losing its edge in many markets.

At the Industrial Bank of Japan, Mr Taketomi estimates that about 30 per cent of Japanese exports have no serious foreign competition. For example, Japanese producers of microchips, facsimile machines and a wide range of industrial control equipment have few rivals.

Electronics has taken over from autos as the engine of growth in Japanese exports: according to Jardine Fleming, the stockbroker, Japan's electronics industry doubled its share of total exports from 15 per cent in the first half of 1986 to 30 per cent in the first half of 1988. Despite price increases, the total volume of exports has climbed from 2.4 per cent year-on-year in the first quarter of 1988 to 6.6 per cent in the third quarter.

The other side of the trade story is imports. Until the middle of this year, importers' success surprised government officials in Japan and overseas. In volume terms, imports at the beginning of the year were rising at a year-on-year rate of 30 per cent. However, the rate of growth has since declined, to 13 per cent last month.

This is still a fair rate of progress in a country where local competition is ferocious. But Japan's trading partners are bound to be annoyed that the previous pace has not been maintained.

There is room for hope that Japan's trade imbalance will fall away quickly enough to appease the US and Europe. Mr Teko Teye, a senior economist at Daiwa Research Institute, argues that the decisions taken overseas, especially in Washington, are crucial.

In Japan's view, Tokyo has already done much to improve economic relations, in particular opening its markets to imports. Now the onus is on the US, in particular the new President, to tackle America's trade deficit more aggressively.

Namibian deadline to be postponed

By Anthony Robinson in Johannesburg

FAILURE to agree on a timetable for the withdrawal of Cuban troops from Angola has led to a postponement of the original November 1 deadline for South Africa to begin implementation of UN resolution 435 for the independence of Namibia.

An official announcement confirming the postponement and setting a new deadline of January 1 is expected to be made by the US government in Washington today.

Mr Chester Crocker, the US Deputy Secretary of State for African Affairs, has been acting as mediator in the long-running series of meetings between Angola, Cuba and South Africa aimed at securing independence for Namibia after UN-supervised elections linked to a phased withdrawal of 50,000 Cuban troops from Angola.

All sides in the negotiations to end 13 years of war have proved reluctant to take decisions before the outcome of next week's US presidential elections. While Mr George Bush and the Republican Party support aid to the Unita rebels led by Dr Jonas Savimbi and link the Namibian question to Cuban withdrawal, Mr Michael Dukakis has pledged to end US support for Unita and rejects the Cuban linkage.

● The South African rand fell to a new low against sterling and other leading currencies yesterday, reinforcing pressure on the authorities to raise interest rates and taxes. Economists believe action is needed to curb imports and restrain the outflow of capital attracted by higher UK and other interest rates.

The Government refused to allow the Reserve Bank to raise interest rates before last week's municipal elections, in spite of clear evidence from the domestic money market and the deteriorating current and capital account that the economy was sucking in imports too fast while exporters were seeking to keep their funds as long as possible in high interest earning accounts in foreign banks.

Six arrested in S Korea insider dealing inquiry

SIX STOCK brokers and dealers have been arrested for alleged insider trading, prosecutors said, Reuter reports from Seoul.

The six, including dealers on the Seoul Stock Exchange and officials of Daewoo Securities and Shinyoung Securities, were charged with breach of trust and breaking securities laws.

The market fell eight points from Saturday's 741.60 close in afternoon trading on reports that prosecutors said they would investigate other companies.

The prosecutors accused the six of making Won 400m (£325,000) in illegal profits from stock deals.

The prosecutors alleged some of the six leaked crucial market information to their relatives while others used inside information to make profits for their own share accounts.

South Korea's security laws ban employees of securities companies and dealers on the stock exchange from holding shares or trading inside information.

Burma changes tack on foreign investments

By Chit Tun in Rangoon

BURMA will welcome foreign private investment in a move to revitalise the economy crippled by 26 years of rigid state control. Foreign companies will be free to enter into joint ventures with Burmese businesses owned either by private interests, the Government or co-operatives.

"We shall offer reasonable incentives to foreign investors, such as tax holidays, but just at present we are in the process of drawing up the necessary legislation," Colonel Abel, the Minister for Trade, said at a meeting with foreign and local journalists yesterday.

He said the nature of the incentives will be decided for the moment on an ad hoc basis, depending on the nature of the business in which the investment is proposed to be made.

The minister said the Government was opening up the economy to provide a significant role for private entrepreneurs *vis-a-vis* state-owned and co-operative concerns, but in playing this role they should not look for quick profits, but to set up viable and enduring enterprises which are beneficial to the country and themselves.

He said private individuals or companies may now take part in the country's foreign trade, hitherto the monopoly of the Government and co-operatives. They can export everything except petroleum, gems, teak and minerals, and as an incentive, they will be permitted to use a percentage of their export earnings – a percentage to be determined on a case-by-case basis depending on the type of exports – for imports of any kind, from any source.

They may also set up as commission agents, a business hitherto reserved for the government-owned Inspection and Agency Corporation.

Asked if the Government had any plan to revise the existing exchange rate of the Burmese Kyat, which is generally believed to be highly overvalued to promote exports, the minister said: "No, not at the moment."

Mahathir rivals reject offer

By Wong Sulong in Kuala Lumpur

MALAY opponents of Dr Mahathir Mohamad, the Malaysian Prime Minister, have rejected his latest reconciliation offer to end the long and bitter power struggle within Umno, the ruling United Malays National Organisation.

Dr Mahathir had announced on Sunday, in his closing speech at the general assembly of his New Umno party, that in the interests of Malay unity, he was offering to take Datuk Musa Hitam, his former deputy, and Tengku Razaleigh, his arch-rival, back into the Cabinet "as ministers without portfolio".

The move was a brilliant one by Dr Mahathir, who is once again on the political offensive, as the offer was clearly in line with the mood of the 2,000 Umno delegates, and puts his opponents on the defensive.

Dr Mahathir made the offer secure in the knowledge that the New Umno delegates had endorsed his leadership until 1990, and more important, approved a new constitution that makes it virtually impossible for anyone to challenge him as party leader.

In rejecting the offer, Datuk Musa said the question of ministerial appointments was not important. What was important was the old Umno party, declared unlawful by the courts last February, should be revived.

Datuk Musa said he appreciated that many wellwishers would want him and Tengku *Razaleigh* to rejoin the Government, but added the way to Malay unity was tolerance and moderation. He said the harsh tone of Dr Mahathir's speech to the New Umno delegates, and his attacks on the two former prime ministers and the dismissed Supreme Court lord president, were unfair and unwarranted.

Taiwan independence rejected

By Bob King in Taipei

TAIWAN'S Democratic Progressive Party, the main opposition to the ruling Nationalist Party, has eschewed Taiwan independence in favour of a more moderate policy of seeking accommodation with the ruling party and increased democracy at home.

The swing back to the more moderate centre came with the election of Mr Huang Hsin-chieh as party chairman on Sunday night. Mr Huang, who spent several years in a military prison for his alleged role in a riot during 1979, heads a faction of the DPP which opposes advocacy of Taiwan independence and instead stresses the need for eventual unification with China.

He ousted Mr Yao Chia-wen, the current party chairman, who was convicted along with Mr Huang in 1980 of planning the so-called "Formosa Incident", a human-rights day rally, which degenerated into violence and which the authorities claimed was an attempt to overthrow the Government by violence.

Mr Huang's faction also took 19 of the 31 seats in the party's central committee after veteran opposition politician Mr Kang Ning-hsiang, a member of parliament, threw his support behind the moderates.

While holding only a handful of seats in parliament and the National Assembly, and thus presenting no immediate threat to the ruling party, DPP representatives are highly vocal in their criticism of government practices, and are indirectly helpful to "young Turks" within the ruling party who are striving for increased reforms.

The election of the moderate faction should also help to further mollify China, which is concerned about a possible declaration of independence by this island, over which China still insists it has sovereignty.

Iran and Iraq stand firm on peace talks positions

IRAN AND Iraq disclosed no changes in position that would allow their tenuous ceasefire to be consolidated, when their foreign ministers returned to Geneva yesterday to resume peace talks, William Dullforce writes from Geneva.

Mr Ali Akbar Velayati, the Iranian minister, reiterated that the clearing of the Shatt Al-Arab waterway, to which Iraq attaches priority, could take place within the "only possible framework", the 1975 treaty. Iraq refuses to recognise this treaty between the two countries which established the boundary down the middle of the waterway.

In a statement read to reporters before he saw Mr Javier Perez de Cuellar, the UN Secretary General, Mr Velayati described Iraq's attempt to link the clearing of the waterway and the ceasefire as "illegitimate and dangerous."

Mr Tariq Aziz, the Iraqi foreign minister, who met the Secretary General earlier, complained on his arrival on Sunday night that the Iranians had still not acknowledged that the clearing of the common waterway was a legitimate question.

Iraq would not accept the dredging issue as a card the Iranians could use "to try to make us give concessions," Mr Aziz warned.

The ministers resume direct talks today under the presidency of Mr Perez de Cuellar.

●Eight Gulf nations yesterday opened a two-day emergency meeting on clearing Gulf waters of debris from the Iran-Iraq war, AP *reports* from Kuwait.

The war *fallout* in the *Gulf* includes floating mines, ship wrecks, unexploded bombs and chemical pollutants.

The countries represented at the Kuwait meeting – Kuwait, Saudi Arabia, the United Arab Emirates, Qatar, Bahrain, Oman, Iraq and Iran – make up the 10-year-old Regional Organization for Protection of Marine Environment, ROPME.

Dr Abdel-Rahman al-Awadi, Kuwait's planning minister and the organisation's acting executive secretary, inaugurating the conference, said the situation imposed on the member *states the responsibility of* adopting immediate measures and appropriate decisions during the two-day meeting.

Kaunda sworn in for sixth term

By Nicholas Woodsworth in Lusaka

PRESIDENT Kenneth Kaunda of Zambia was sworn in for his sixth consecutive term of office yesterday following the announcement of results from last week's presidential and parliamentary elections.

Dr Kaunda, the sole presidential candidate in the single-party elections, won 95.5 per cent of the votes cast, a higher percentage than in any other election in which he has stood since independence. Voter turnout, however, at 55 per cent of registered voters, was 10 per cent lower than the previous poll in 1983.

In his acceptance speech, President Kaunda said that Zambia was likely to experience great economic difficulty in the next five years. Observers speculate the reference may be an indication of moves towards currency devaluation and a change in the Government's policy of heavily subsidising consumer goods.

Syrian soldier shot in Beirut

A SYRIAN soldier and a Lebanese policeman were wounded yesterday when a gunman fired at a checkpoint in Beirut's southern suburbs, security sources said, Reuter reports from Beirut.

They said a gunman opened fire from a motorcycle on the joint checkpoint manned by Syrian troops and Lebanese policemen in the Bi'ir al-Abed area.

Syrian soldiers moved into Beirut's southern suburbs, a stronghold of pro-Iranian militants, in June to halt vicious street fighting between rival Moslem militias.

Wahono's appointment appeases Indonesia's generals

John Murray Brown in Jakarta considers the implications of last week's sweeping changes in the ruling party

IN any other country it might have caused a sensation. In just six days last week Indonesia's ruling Golkar party transformed its top leadership, blooded more than 20 members into the 45-strong Central Committee and picked a chairman whom few observers at the outset considered even a political also-ran.

The changes, on paper at least, constitute the most thorough shake-up of President Suharto's election-winning machine since the New Order regime seized power in the mid-1960s following a failed communist coup d'etat. In the vague language in which Indonesians conduct their politics, the exercise is one of "regeneration and continuity", and completes a process which began earlier this year at both *cabinet level* and within the military top brass.

In practice President Suharto's power base has been further extended. The military, resentful of Golkar's growing autonomy, is now back with the party whiphand. Mr Suharto has even managed to *satisfy the reformists within* the party, increasingly its most vocal members.

In some ways it was a consummate performance, answering a public craving for consensus. In others it simply provided further evidence of the wide gap between the appearance and the reality of power-sharing in a country where the military still calls the political tune.

President Suharto will retain his power of veto over party policy as chairman of Golkar's Supreme Advisory Council. The 63 year-old Mr Wahono, an old military colleague, takes over as party chief from Vice-President Sudharmono. The interests of the civilian lobby

Suharto: power base extended

are represented by Mr Rachmat Witoelar, a 47-year-old engineer who becomes the *party's Secretary-General, in* charge of day-to-day policy decisions.

In a more competitive political environment Mr Wahono's appointment might have proved hard to swallow. This former provincial governor is after all an unknown quantity even within party ranks. His most recent position, as Inspector-General for Development, looked suspiciously like so many civil service sinecures reserved for retired military officers.

Mr Wahono will be hard-pressed to sell Golkar's somewhat amorphous corporatist image to the urban middle class. But he appears well placed to consolidate the party's rural support, where Indonesian elections are made and won. Western diplomats describe him as the perfect compromise. Mr Wahono is loyal to the President, with no power base of his own, while also broadly acceptable to the military.

The need to placate the military has become all too obvious in recent months. The armed forces have been disenchanted with Mr Sudharmono's independent handling of the party, and also with what many regard as his too-left leaning. Some sections voiced opposition when he was promoted to Vice- President last March.

Since Sudharmono's promotion the military has lost its powerful intelligence agency Kopkamtib, disbanded last month. It has also had some of its extensive business interests brought to heel. Pertamina, the state oil giant, is now for the first time under civilian management. But the struggle for control of Golkar was always certain to be the most keenly contested.

When the military established Golkar in 1964 from a coalition of labour and business groups, it was expressly to counter the powerful communist movement. For most of the New Order it has been little more than the government's electoral vehicle, wheeled out every five years to provide the regime legitimacy and forge the political consensus.

Although its role today remains essentially the same, under Mr Sudharmono Golkar has emerged from beneath the military's wing. It now claims more than 25m members - one in every seven Indonesians. Some 9m party cadres have spread an impressive support network in rural areas where the majority of the population lives. Its backing within the administration, including the 27 provincial governors, the 100 or so regional councils and around 4m public employees, adds up to a formidable constituency. Golkar's emphatic sweep of the polls in last year's legislative elections may even have embarrassed a leadership keen to maintain at least the impression of a multi-party system.

The threat from the left remains a key rallying cry for Golkar. Some senior military figures have even voiced fears of a possible leftist infiltration of the party.

Significantly, in his speech to open the Congress, President Suharto attacked the traditional communist bogey, *hardly touching on internal* party issues. "President Suharto cannot fight the army on the communist issue," said a senior western diplomat. "This is the basis of the New Order."

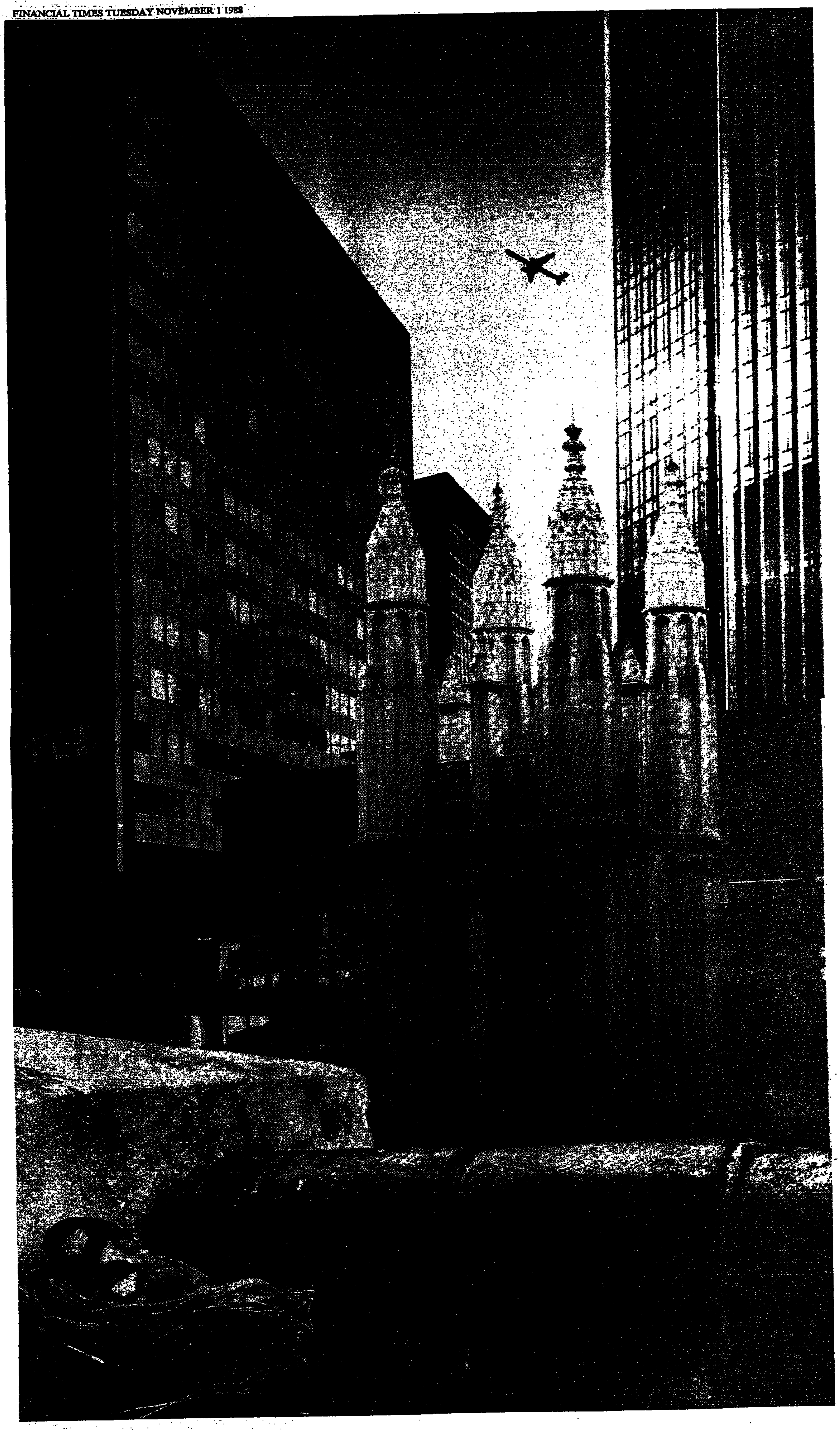
However, as last week's figures underlined, the current ebb and flow of trade is unlikely to make the new President's job any easier.

Chadli releases riot detainees

ALGERIAN President Chadli Benjedid has ordered the release of all those arrested during bloody rioting in the country early this month, the official news agency APS said, Reuter reported from Algiers.

The APS agency said that at the president's request the Justice Ministry had given instructions to public prosecutors to grant provisional liberty to all those arrested.

Provisional liberty does not necessarily mean that charges have been dropped. The release was granted to mark the 34th anniversary of the start of the Algerian revolt against the French colonial authorities.



Turner's showing galvanises party in Canada polls

By David Owen in Toronto

THE Canadian general election race appears to have taken a new turn with just under half of the seven-week campaign still to run.

The shift follows an unexpectedly strong performance by Mr John Turner, the Liberal Party leader, in last week's two televised debates. Mr Turner's impressive showing has galvanised his party's flagging campaign and added spice to a contest which Prime Minister Brian Mulroney's Conservatives were expected to win.

Two opinion polls conducted since the debates were broadcast both indicate that the Liberals have made up considerable ground.

The first, conducted by Angus Reid Associates of Winnipeg, put the Liberals and the Tories in a dead heat for first place, each drawing the support of 35 per cent of decided voters. The left-of-centre New Democratic Party (NDP) was seven points behind.

Compared with a poll taken by the same organisation shortly after the election was called on October 1, the figures show a startling 10-point decline in the level of Conservative support, a nine-point gain for the Liberals and a one-point gain for the NDP.

A Gallup poll published yesterday, meanwhile, indicated that the Conservatives retained a six-point lead over the Liberals, with 38 per cent of the decided vote. Gallup put the NDP five points further back at 27 per cent.

According to this assessment, Tory support has dropped by only two points since the last Gallup poll was published on the eve of the first debate. NDP support has similarly fallen by two points, while the Liberals have improved by four points over the same period.

Significantly, the number of undecided voters has fallen from 19 to 11 per cent, according to Gallup's calculations.

The Liberal surge, founded on Mr Turner's remorseless attacks on Mr Mulroney's US-Canada free trade agreement, has resurrected doubts about the Conservatives' ability to secure a second consecutive majority, after the party had seemed to be going from strength to strength in the early weeks of the campaign.

The revitalised Liberal challenge has prompted a change in the electoral tactics of the Conservatives and the NDP.

Mr Mulroney has gone on the offensive, claiming the other parties have "shamelessly distorted" the pact.

Mr Ed Broadbent, the NDP leader, is devoting more time to criticising the Liberals, having concentrated largely on lambasting the Conservative record in the campaign to date.

Caterpillar deal backed

A MAJORITY of United Automobile Workers Union local branches representing 17,500 Caterpillar hourly employees have approved a new three-year contract offering a 3 per cent pay rise and better job security, union officials said, Reuter reports from Peoria, Illinois.

Workers in Aurora (Illinois), Denver and Memphis gave their approval during the weekend to a tentative agreement reached on October 21, the officials said.

The largest Caterpillar unit, Local 974 in Peoria, voted by 73.6 per cent to approve the contract last week, which virtually assured final ratification.

Main points in the contract include Caterpillar workers' first general base pay increase since 1981, bringing the typical workers' pay to around $15 (£8.50) an hour, the union said. It also provides annual lump-sum payments equal to 3 per cent of pay in late 1989 and late 1990.

It also gives virtually complete job security to 15,600 hourly workers but allows lay-offs for market-related downturns to the rest, union officials said.

Critics urge end to Brazil debt programme

By Ivo Dawnay in Rio de Janeiro

POLITICAL pressure is mounting on the Brazilian Government to restrict or discontinue its seven-month-old debt conversion programme.

Critics of the scheme claim that widespread use of the black market in dollars has allowed financiers to make big profits while fuelling the already rapidly expanding money supply and thus boosting inflation.

Senator Fernando Henrique Cardoso, leader of the centre-left Brazilian Social Democratic Party (PSDB), yesterday described the programme as a scandal that did nothing to help the country.

Other politicians, from nationalist right to socialist left, have also attacked the debt conversion rules, which this year are expected to write off some $8bn of Brazil's $120bn (£68bn) foreign debt.

The main targets for criticism are the "informal" conversions where creditors and intermediaries are alleged to have made fortunes by "round-tripping" credits. This involves accepting matured debt in cruzados, exporting black-market dollars and then repatriating the money to Brazil by buying heavily discounted secondary market debt, currently trading at about 45c in the dollar.

But foreign bankers fear action could be taken against the closely regulated monthly debt-for-equity auctions which allow creditors to use assets frozen in Central Bank (BC) accounts to buy Brazilian shares or instigate projects.

In fact, the auction process is likely to be fiercely defended by Mr Mailson da Nobrega, the Finance Minister. BC officials have also publicly dismissed claims that the auctions are influencing the money supply.

The future of debt conversion nevertheless looks certain to be an issue in the forthcoming round of talks between the Government, employers and trade unions on an anti-inflationary strategy. Official figures announced at the weekend put October inflation at 27.25 per cent – a record.

Dukakis reveals himself as a liberal Democrat at last

By Stewart Fleming in Washington

PRESIDENTIAL candidate Governor Michael Dukakis is trying to solidify his support among traditional Democrats, and generate a higher turnout in next week's election, by concentrating on states where his party is strongly organised and by stressing his ties to the party's past.

"I am a liberal in the tradition of Franklin Roosevelt and Harry Truman and John Kennedy," Mr Dukakis said during a campaign trip in California on Sunday. It was an extraordinary *volte face*.

For months, as Mr Bush has sought to define a liberal Democrat as somebody who is unpatriotic, sympathetic to criminals and weak on defence, and to argue that this is precisely what Mr Dukakis is, the governor has in effect refused to acknowledge his links with an important base of Democratic support.

Rather than reject Mr Bush's definition of a liberal Democrat and embrace a liberal tradition many Democrats are proud of, and so strengthen his support among voters who make up one of the foundations of his party, Mr Dukakis has run away from his own past, weakening his image and his candidacy in the process.

At the Democratic Party conference in July, his anxiety about being branded a liberal Democrat, as defined by the Republican Party and Mr Bush, even contributed to his decision to declare that the election this year was going to be "about competence, not ideology".

Today however, with Mr Bush in the lead in opinion polls, Mr Dukakis has been launching an all-out attack on key midwestern and northeastern states such as Illinois, Michigan, Ohio and Pennsylvania.

Along the way, he is beginning to see some of the traditional Democratic voters, who had earlier been lukewarm to his candidacy, rallying to it at last.

He knows too that it is too late to persuade many working-class voters, sympathetic to Mr Bush's views of liberal Democrats, to change their minds about him.

By saying that he is indeed a liberal Democrat, he can hope to energise not only traditional Democratic voters but also the party and trade union officials and workers on whom the party has traditionally relied for its efforts to get the voters to the polls on election day.

Candidates quiet on need for defence cuts

Stewart Fleming examines the sensitive problem of reducing US military expenditure

WHOEVER of the two candidates wins next Tuesday's elections, one of his top priorities will be to launch an all-out attack on a cornerstone of President Reagan's legacy – the $1.8 trillion (million million) build-up in defence spending.

"The next several years are likely to be a period of blood-letting in the Pentagon such as has not been observed for two decades," writes Mr William Niskanen, the current chairman of the Cato Institute, a Washington "think-tank", and a former member of Mr Reagan's Council of Economic Advisers.

The future of defence policy is yet another area of this year's election debate which both candidates have decided they cannot afford to address in concrete terms for fear of weakening their election campaigns.

Both candidates know that analysts such as Mr Niskanen are right when the say the Pentagon is facing a budget crisis. Huge federal budget deficits coupled with the easing of tensions with Moscow and diminishing public support for defence spending amidst mounting evidence of waste and fraud in the Pentagon have already begun to hit the defence budget which has declined slightly in real terms

But Mr Bush can hardly advocate major cuts in the defence budget. To do so would be to repudiate a central element of his popular Republican predecessor's policies. This would risk weakening his support among Republican voters, and would also have the effect of undercutting one of the main lines of attack on his Democratic rival, Governor Michael Dukakis of Massachusetts.

Mr Dukakis's past positions on defence issues, including his support for a nuclear freeze, have allowed Mr Bush to tag him as a traditional weak-on-defence liberal democrat.

At the same time, defence budget cuts would weaken Mr Bush's own negotiating position with congressional Democrats should he become President and, he argues, erode Washington's negotiating position in forthcoming strategic and conventional arms negotiations with the Soviet Union.

Mr Dukakis, although he believes that the Reagan defence build-up has damaged the US economy, has had to avoid taking positions which would have made Mr Bush's line of attack more credible.

As a result, Mr Dukakis has avoided spelling out in any detail the sort of crunch which is looming for defence spending. He says repeatedly that "the defence budget, no matter who is the next President of the United States, is not going to grow in real terms."

He also says he favours strengthening conventional defences, modernising nuclear forces and building the "Stealth" bomber. But he refuses to talk in detail about the apparent incompatibility between his spending plans and the need for economies.

Mr Niskanen is one of several analysts who have been doing just that. He says that the Department of Defence has yet to prepare a Five-Year Defence Programme consistent with Defence Secretary Frank Carlucci's recent guidance that the Pentagon should assume a 2 per cent increase in real budget spending.

He points out that, compared with the current five-year defence plan, to get to the 2 per cent real growth level would require cutting $282bn from the 1989-1992 plan.

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DEFENCE

To reach the level of defence spending Mr Dukakis is talking about – no real growth in defence spending –, would require spending cuts of $362bn over five years. Since the defence budget is already shrinking in real terms, it is not hard to imagine scenarios which would call for even greater Pentagon economies.

But it is not just the fact that cuts in current plans will be needed which justifies the use of the word "blood-letting" when discussing the defence budget.

According to Mr Niskanen, defence spending today after the Carter/Reagan build-up is about 64 per cent higher in real terms than it was in 1978. What is becoming increasingly clear to the public, however, is that there has not been a commensurate improvement in America's military strength.

Apart from the Navy, America's military forces are no larger than they were in 1978 when the Carter/Reagan build-up began. The level of strategic forces has declined slightly, the army has seen no significant increase in personnel and air force tactical air wings, and airlift squadrons have been about constant, says Mr Niskanen.

On another measure of strength – weapons modernisation – he says that "the sharp increase in real spending for procurement and research and development did not lead to a proportionate increase in the number of major weapons purchased, because the average real unit price of weapons also increased...sharply".

Mr Niskanen also questions whether there has been a substantial increase in the readiness of US forces and their ability to sustain a conflict.

The one area where it is generally recognised that there has been a dramatic improvement in the US military has been in the quality of enlisted personnel, an area which did not see the huge spending increases experienced by the procurement and research and development areas.

Mr Niskanen cites the judgement of the Congressional Budget Office that "despite widespread improvements, most of the aggregate indicators (of military capability) have not increased markedly, with few exceptions like personnel quality".

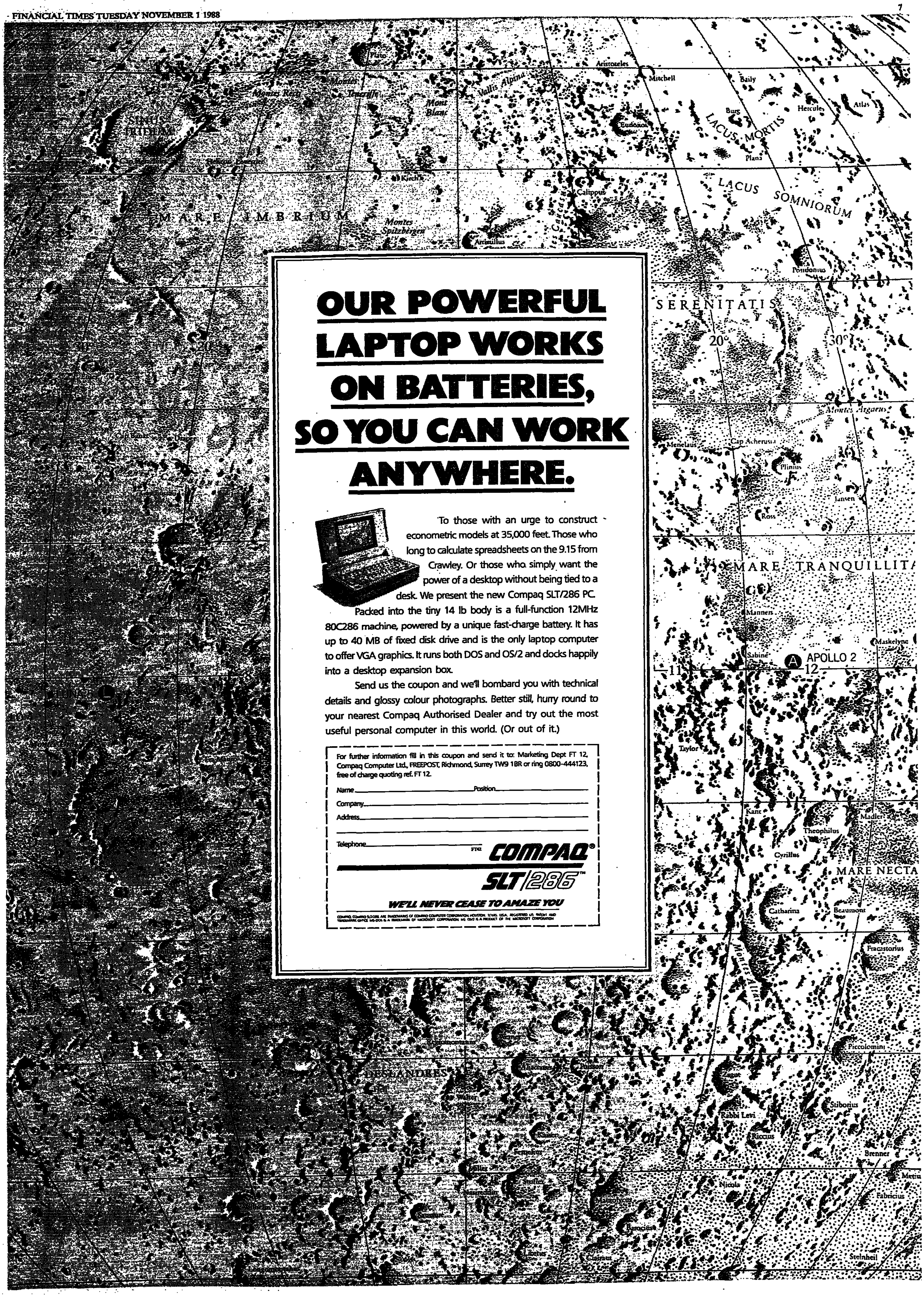
The concern, therefore, is that any retrenchment in military spending comes against a position of at best modestly increased military power. Moreover, there are fears that it is precisely those areas of readiness and sustainability which many military strategists believe to be vital, that will be easiest to cut.

An additional factor is that the current defence budget planning process is taking no account of the tens of billions of dollars that will need to be spent in coming years modernising and cleaning up atomic weapons production plants.

Many of these, it has emerged in the past few months, have been allowed to decay to such an extent that there is now a threat not only to the health and safety of communities in which they are located, but also to the production of vital ingredients of the US nuclear arsenal.

Against such a background, it is not surprising that analysts such as Mr Niskanen are calling for a "major review of our national security commitments", something he says was neglected by the Reagan Administration when it took office.

No wonder either that for the time being both Mr Bush and Mr Dukakis prefer to look the other way when they are asked to say in detail what sort of defence spending path they envisage and what the implications are for America's role in the world.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WORLD TRADE NEWS

EC may impose levy on S Korea video tapes

By Hugo Dixon in Brussels

THE European Commission will later this month impose an anti-dumping levy of 20-30 per cent on blank video tapes imported from South Korea, one of the leading distributors of the tapes said yesterday.

Mr Ashok Suri, managing director of Memtech Products, the UK company which promotes the Memorex brand of video tapes, said that a levy would not achieve its purpose of saving jobs in Community countries. Instead, it would lead to redundancies at Memtech and other distributors.

The European Commission's anti-dumping committee will consider the case for a levy on November 4, Mr Suri said. Memtech had been told that following this meeting, a provisional duty was virtually certain to be imposed by the end of the month. The Commission would then have three months to finalise the duty.

The case for a levy has been pressed by BASF and Agfa, two German blank tape manufacturers. It would apply to four Korean companies - Saehan Media, Kolon, SKC and Gold-Star.

Memtech imports 75 per cent of its tapes from Saehan Media and Kolon, making it probably the largest distributor of Korean tapes in Europe. It makes the remaining 25 per cent in its own factory in the US.

Mr Suri said that Memtech would be particularly badly hit by the levy because the company had already pre-sold 3m video tapes at fixed prices for the Christmas market. He claimed the company was not guilty of dumping, as the Memorex brand was selling for higher prices than Basf and Agfa.

However, he said that, even if dumping was proved, the levy should be at least delayed for 90 days so that the company could honour its commitments for the Christmas market and have sufficient time to arrange alternative suppliers.

UK contractors sceptical of Tokyo aid benefits

By Peter Montagnon, World Trade Editor

BRITAIN'S NEW POLICY of trying to collaborate with Japan in overseas development aid is unlikely to bring new business opportunities for UK construction companies, according to the Export Group for the Constructional Industries.

The government believes that a large pool of Japanese aid is available for British contractors to draw on because it is officially described as untied, the group said in a review of aid policy.

"But it is well known that the closer one gets to such aid, the more clearly bilateral and tied to Japanese contractors does it become."

The group said Britain's low aid budget is causing the UK to lose influence in the development process, a trend which could not be reversed by seeking greater involvement in the EC aid process or by helping Japan to spend its aid budget.

It called for an immediate increase in Britain's aid budget to 0.5 per cent of gross national product from 0.28 per cent at present.

Construction companies were losing interest in developing country projects which had to be financed with aid and turning their attention to the developed world where they had been able to demonstrate their competitiveness

But such work produces little benefit to the UK balance of payments since most procurement is carried out in the market country. France and Japan had increased their own aid budget, the group said, so that their companies could raise their share of developing country business while also expanding in developed country markets.

HK agrees temporary compromise over BCal

By Michael Marray in Hong Kong

THE Hong Kong Government has temporarily extended British Caledonian's licence to operate 10 flights a week into the colony, pending further talks with the UK Department of Transport over a new agreement on air services in the wake of BCal's acquisition by British Airways.

BCal's licence to fly between London and Hong Kong expired on October 29, but it has been extended for the winter season, which runs until next March 25.

Under the current agreement British Airways and Hong Kong-based Cathay Pacific Airways are also each entitled to 10 flights a week between London and Hong Kong, with British Airways flying into Heathrow and Cathay into Gatwick.

But following the British Airways takeover of British Caledonian, Cathay Pacific is now pressing for a more equal distribution of services on the lucrative route.

Recent discussions between the UK and Hong Kong authorities failed to resolve the issue, and a further set of talks has been pencilled in for mid-December in London. In the meantime British Caledonian will continue to fly into Hong Kong under its own colours.

Canada posts motors surplus

CANADA recorded a C$1.5 bn ($900m) first half automotive trade surplus, according to Statistics Canada. This is an abrupt turnround from the C$645m deficit recorded a year ago, David Owen reports.

The U-turn was attributed almost entirely to the return to production of the vast General Motors of Canada plant in Oshawa. This had been closed for revamping for much of 1987.

On automotive trade with the US, Canada enjoyed a C$4.1bn surplus. The deficit with overseas trading partners, meanwhile, totalled C$2.6bn.

Mongolia likely to sign transit deal with Peking

By Margie Lindsay, recently in Ulan Bator

MONGOLIA expects to sign a transit agreement with China in the first half of 1989.

Such a deal would mean that Mongolian goods - mainly carpets, kashmir yarn and woollen and leather goods, which now can only leave the landlocked country via the Soviet Union, would have a second and faster outlet to the market of South-East Asia.

Negotiations began earlier this year - according to the Foreign Trade Relations department in Ulan Bator - following the warming of relations between China and the Soviet Union. As a close ally of Moscow, Mongolia felt unable to negotiate such a deal until there had been progress in rapprochement between the two communist superpowers.

The agreement with China will help open up Mongolia, which is pursuing its own form of economic reform, following the lead of the Soviet Union which is its major trading partner and supplier of financial support.

At present, 97 per cent of Mongolia's trade is with the Soviet Union and East European countries. In 1987, Mongolia's trade turnover totalled 5.4bn tugrik (£920m). The small size of its trade with the West, however, is expected to grow over the next five to 10 years as the government pursues such economic changes and innovations as hard currency auctions, the retention of hard currency by companies exporting to the West and the further decentralisation of foreign trade.

Looking ahead, by the year 2,000, the turnover in trade with hard currency markets is expected to account for about 30 per cent of all Mongolian trade.

The opening of a trade route through China is also expected to boost trade with that country. So far this year, cross-border trade between Inner Mongolia, the Chinese province, and Mongolia itself has been booming. Chinese experts are also present in Ulan Bator, the capital, although not yet in the same numbers as the Soviets.

The Japanese are also keen to develop Mongolia's rich mineral potential, particularly through the exploitation of raw materials such as coal and rare metals useful for the electronics industry. Japan, which holds the leading position in the league table of Western trading partners with a turnover of $20m a year, is helping Mongolian enterprises reach Western markets.

The other leading Western traders are Switzerland, West Germany and Britain.

As economic reform develops in Mongolia, the country is likely to concentrate on the markets of South-East Asia. The resurgence of nationalism within Mongolia should also help push trade into that region and away from the Soviet Union and Eastern Europe.

Turkey's services stumble in tourism race

Jim Bodgener in Ankara looks at the gap between infrastructure and planning

TURKEY'S much-needed foreign exchange earnings from tourism are set for a second consecutive bumper year, according to the latest figures. But an all-out drive to provide enough accommodation to meet the demand has led to heavy strains on basic services, and a trend towards attracting lower-spending, package-tour visitors, particularly from Britain.

New hotels and marinas for tourists staying at Izmir

Compared with January-June 1987, tourist numbers in the first half of 1988 rose by 39 per cent to 1.54m, while revenues increased 51 per cent to $787m. Gross returns from tourism by the end of the year are expected to total between $2bn and $2.5bn, compared with $1.7bn in 1987.

The number of beds registered by the Tourism and Culture Ministry as being of tourist class standard has increased dramatically in recent years - to about 125,000 compared with around 66,000 in 1983.

This rapid expansion has resulted in a gap, sometimes yawning, between the new accommodation coming on to the market, and the adequacy of infrastructure, trained personnel and simple planning commonsense on behalf of the authorities, particularly municipalities.

This year, the lack of infrastructure has been exacerbated by government cuts in new project investment. This has been done to curb the overheating of the past two years – reflected in the domestic inflation rate of 81.8 per cent in the year to the end of September.

Increasingly, visitors are complaining of avarice, poor service, inadequate sanitation and cuts in basic services such as water and electricity.

"Perhaps it is time we slowed down and took stock," says the chairman of one of a new breed of tourism companies which differ in their meritocratic and professional approach from the mainly family-dominated and managed structure of Turkish industry. Another agrees, but says it is unlikely to happen. "How can you put a quota on the number of tourists entering the country, particularly when we're trying to get into the EC?" he asks. "We just have to keep trying."

The problem of overdevelopment is worst on the Aegean sea-front, where small ports such as Bodrum and Marmaris have mushroomed cancerously. Foreign yachtsmen have few complaints about the services in Aegean marinas – apart from the perennial water shortages – but say the seas are increasingly polluted.

Around Antalya on the southern Mediterranean coast, development has been more controlled through holiday-village developments - in this may be seen the guiding hand of World Bank financing for infrastructure planning and construction.

In the past, the demand fuelling the tourism boom came largely from West Germany. But 1988 will probably go down in the short history of Turkish tourism as the year when Britons discovered Turkey, an estimated 500,000 in total, compared with about 200,000 last year.

British tourists are largely held responsible for the downward spending trend this year, compared with an increase in per capita spending in 1987 to $562, says a major travel agent in Izmir.

Many seek cheap accommodation, compared with the preference for four- to five-star hotel rooms among West Germans, Swiss and French. The British seem to have less to spend on carpets and copperware, both handicraft industries rejuvenated by the tourist boom. Once they have paid for a package tour, they do not expect to pay for anything else, say tourism officials.

So far, however, the more rowdy and boisterous version of the young British package tourist has yet to hit Turkey. There has been little trouble so far, even though, the number of British tourists visiting the Izmir region rose by 140 per cent in the first three quarters of 1988 compared with the same period in 1987.

Trouble may not be far off, however, with the rapid increase in charter flights as a result of newly opened and expanded airports at Izmir and Antalya.

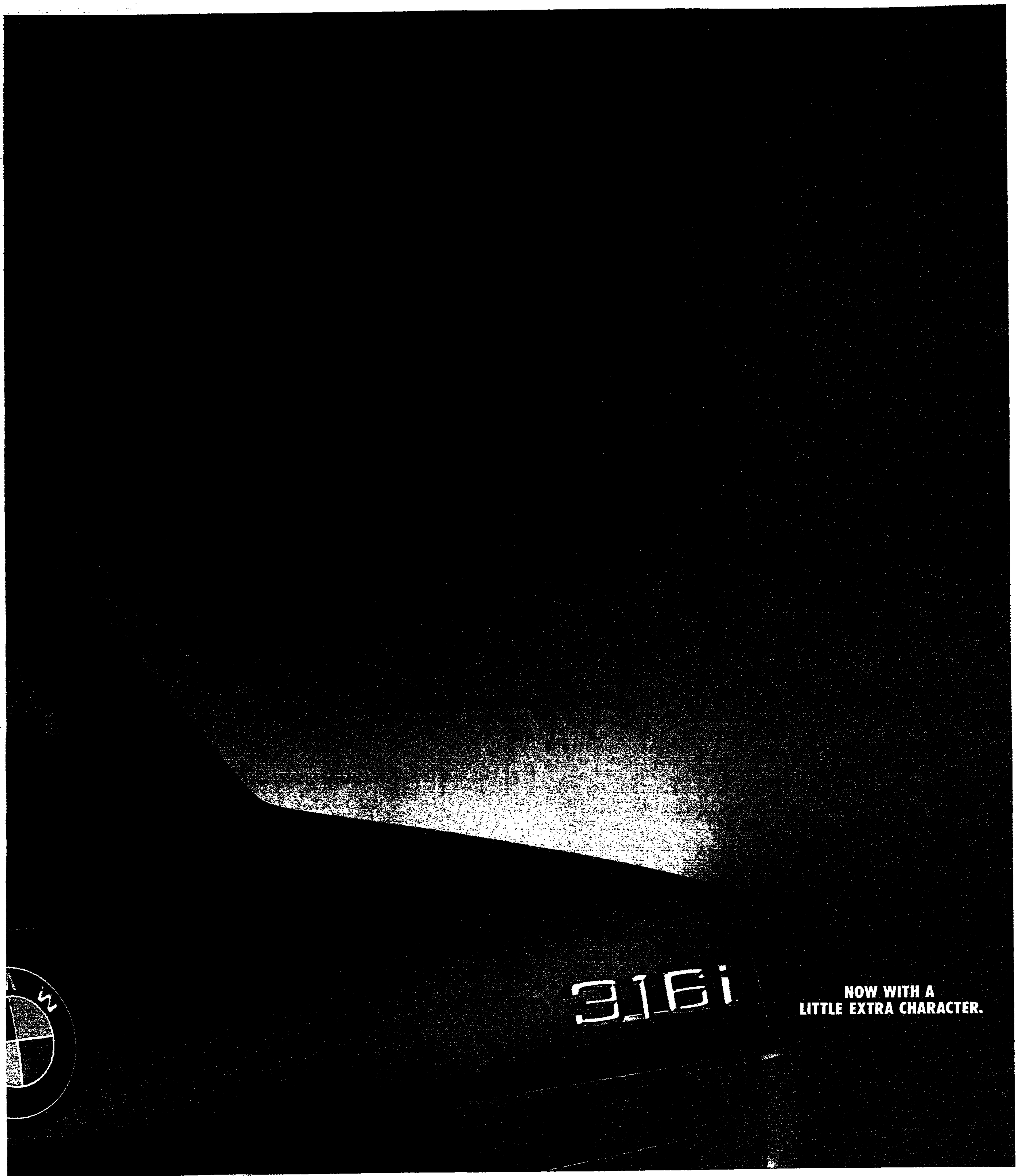
The increase in the number of flights has also caused some headaches for air traffic controllers and is already overstretching handling capacity at the new airports. There have been unfortunate reports of tourists forced to queue in the sun before being cumbersomely processed through Turkish immigration and customs gates.

The trend towards low-spenders has alarmed some developers who opted to build luxurious, five-star resorts, some of which have occupancy rates of only 30 per cent. In many cases, faced with pressing interest payments on construction financing, luxury developments have been forced to cut their tariffs drastically.

But the biggest problem facing Turkey's tourism industry is an acute shortage of trained personnel at every level. There are vocational training facilities and university departments which have been set up specifically to train people in tourism and related services, but again, they are unlikely to keep pace with demand.

The industry needs to recruit about 7,000 qualified personnel a year, but at present gets only 500 - from the schools. In the near future, it is estimated that the industry will require a total 74,000 skilled staff. The Culture and Tourism Ministry is introducing crash courses using the latest computer and audio-visual techniques, hoping this will go some way towards filling the gap.

Despite all these problems, tourism and exports are the two bright spots on a gloomy, short-term economic horizon. The industry will continue to expand rapidly — it has a long way to go to catch up with Spain for example, where conditions were similar 15 years ago. And, in the short-term, the World Bank may bail the sector out with a $200m loan



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An engine which, at 102 bhp, is a full 13% more powerful than its predecessor's.

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And it keeps the car mobile even when a reading from any of the sensors in the engine falls outside pre-set limits.

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Ministers rule out change of heart on medical tests

By Michael Cassell and Philip Stephens

Kenneth Clarke: continued to press the Government case

BRITISH ministers last night forcefully ruled out any last-minute concessions on the introduction of charges for eye tests and dental checks in order to head-off today's expected rebellion by Conservative MPs.

The debate on the charges will follow the Chancellor of the Exchequer's autumn financial statement to the House of Commons, in which he is expected to announce increases for several Government spending departments.

The charges were removed from the Health and Medicines Bill as it passed through the House of Lords, the upper chamber of parliament, earlier this year.

Despite threats by over 60 MPs to vote against the Government's plan to impose check-up charges, parliamentary organisers appeared confident that the revolt will be contained and that they will avert what would be an embarrassing defeat in tonight's vote. Ministers appear convinced that some Tory MPs will abstain, rather than vote against the proposals.

Mr Kenneth Clarke, the Health Secretary, last night continued to press the Government's case to individual MPs. The rebel MPs claim that the charges will dissuade people from having medical checks.

In what Tory opponents of the charges were claiming was a final act of political brinkmanship, Mr David Mellor, the Health Minister, said yesterday that the Government had already permitted concessions which would embrace over 20m people and that there would be no more.

He said that failure to implement the charges, which range from from £10 to £15 for eye tests and £3 for dental checks – would mean that the lost revenue of £135m would have to be made up by implementing cuts elsewhere within the health budget.

Despite the Government's show of confidence, the Tory rebels continued to claim that the Government faces defeat at the hands of the opposition parties and its own critics unless fresh concessions are agreed at this morning's cabinet meeting. There have been hopes that free tests could, for example, be extended to pensioners.

Suggestions that the Department of Health stands to win at least £1bn extra for 1989-90 did not placate the Tory rebels, who showed no sign of shifting from their objection to the specific proposals to implement check-up charges.

Dame Jill Knight, a Birmingham MP and chairman of the Tory backbench health committee, said that members would not be bought off and the rebellion would go ahead if ministers refused to climb down.

She said: "If £1 billion extra is available for the NHS I know of no better way to spend it than on precisely what we are asking for."

Bank home loans up by £5bn

By Peter Norman, Economics Correspondent

NEW LOANS by banks to home buyers soared by nearly £5bn in the third quarter of this year from £3.64bn in the previous three months, according to the Bank of England.

The loans were nearly 45 per cent up on levels in the third quarter of last year.

But a marked slow-down in the growth of loans approved but not necessarily issued by banks during the current quarter may be another sign that the boom in house prices is waning.

The Bank of England figures, which cover between 85 per cent and 90 per cent of total bank lending for home purchases, show that the stock of bank lending for house purchase and improvements reached £42.4bn in the latest quarter.

This compares with £39.3bn of loans outstanding in the second quarter of the year and £31.5bn in the third quarter of last year.

Officials said the latest £4.94bn jump in the banks' housing loans partly reflected a rush of home purchases before August 1, when multiple tax relief for unmarried people buying homes together was ended.

The more modest growth in loan approvals by £3.75bn in the third quarter from £3.6bn in the second could point to a slow-down in the housing market, they added.

Loans of more than £50,000 in value accounted for 53 per cent of the banks' new lending in the third quarter.

Tourist spokesman defies boycott

By David Churchill, Leisure Industries Correspondent

MR JOHN LEE, UK Minister for Tourism, will speak today at the opening session of the Association of British Travel Agents' annual conference in Jerusalem despite criticism from the Arab League which described the decision as "provocative".

Mr Lee will be speaking to a depleted contingent of representatives of travel agents and tour operators. The conference has been shunned by many in the travel industry.

Among those companies which have decided to stay away are Thomas Cook, the travel agency chain, Rank Organisation, which operates the Butlins holiday centres, and Access, the credit card company.

The number of delegates and visitors has dropped steadily in recent weeks with confirmed numbers now down to 1,575.

Only 291 of the delegates this year are travel agents, compared with 533 last year.

Jerusalem was chosen for the conference after plans to hold it on the Costa del Sol were abandoned because the facilities there would not be ready. But the decision split the travel trade, many of whom believed it was an inappropriate destination because of the civil unrest.

The Palestinian Liberation Organisation has written to all delegates appealing to them not to go and threatening a trade boycott of their companies by Britain's 2m Moslems.

The conference brings to an end an unhappy year for the travel trade in which profitability has remained low. This led to the disputed sale of Horizon Holidays to market leader Thomson Travel.

Tour operators have been criticised for imposing surcharges at a time of falling costs and for giving British holidaymakers the worst level of service in Europe.

Sales of holidays for next summer are said in the trade to be sluggish but leading tour operators are not expected to start cutting prices for at least another month.

University Grants Committee reports herald science reforms

Leak reveals student voucher plan

By Our Education Correspondent

THE UK Government is considering plans to transform the funding of British higher education by encouraging universities to charge students tuition fees and by giving students vouchers of different values depending on their performance at pre-university examinations.

These suggestions, which go further than any discussed by ministers in public, are contained in confidential discussion papers prepared for a ministerial meeting in the summer by Mr Robert Jackson, Minister for Higher Education.

They were leaked to Mr Jack Straw, the Labour opposition's education spokesman. "The only students who would gain by this plan are rich students with poor A level grades," he said.

The Government, which was on the point of launching a leak inquiry last night, reacted angrily to the second leak in a week on key areas of its social policies. Labour was last week handed sensitive documents on child benefit.

Mr Kenneth Baker, Education Secretary, said: "I deplore the leaking of any confidential documents and I do not intend to comment on them."

The release of the documents came as the University Grants Committee, responsible for distributing Government funds to the universities, published two reports heralding the most comprehensive shake-up of university physics and chemistry departments in decades.

The reports conclude that a university physics and chemistry departments should have at least 200 students and 20 full-time academic staff. This hurdle would leave up to 20 universities without full physics or chemistry departments, although the reports are keen for such teaching to survive in most universities in some form, perhaps in general science degrees.

The two reviews are highly critical of the state of science teaching in schools, described by the physics report as a "sorry mess" and at "a disastrous level." They call for a new type of degree for trainee teachers combining science and educational training.

The grants committee intends to consult widely before producing final recommendations next March.

In his wide-ranging discussion of the future of universities, Mr Jackson argued the need to encourage universities to take more notice of students' wishes by giving students vouchers to different values based on academic merit.

He said there might be 750,000 vouchers worth £3,500; 150,000 worth £5,000 each; and 100,000 worth £7,500.

He suggested these public funds could be topped up by universities charging students for part of their tuition, but proposed that the universities should take the lead, with the Government providing seedcorn money. "I would envisage an indirect, rather than a direct, way in to this delicate subject," the Minister wrote.

The leaked papers also point to ministerial debate about the number of highly qualified graduates, such as doctors and dentists, needed in view of demographic trends. Mr Jackson suggested there was a major argument in the offing about whether to train more teachers or to worsen staff-student ratios.

He also described pressure from the UK Treasury to replace the commitment made by Governments since the 1960s to plan higher education to cater for all qualified students with an explicit policy on the overall numbers of students to be funded by the Government.

Separately, Mr Baker yesterday issued remits for the new bodies which will fund universities and polytechnics from next year. These called on them to encourage more people from non-traditional backgrounds to go into higher education and to promote closer business-education links.

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Smaller departments threatened

David Thomas looks at reviews of physics and chemistry teaching

MANY university physics and chemistry departments will have to close or amalgamate, according to reviews of the two disciplines published yesterday by the University Grants Committee, the body responsible for channelling government money to the universities.

Physics and chemistry departments must be above a certain size if they are to sustain a broad range of options for undergraduate courses and to afford expensive equipment, the reviews argue.

Many existing departments are below this threshold. "Major changes seem inevitable," according to Sir Sam Edwards, professor of physics at Cambridge University and chairman of the physics review.

The minimum effective size for university physics and chemistry departments is 20 full-time academic staff and 200 students, the reviews conclude. Reorganisation would leave 30-35 physics departments and not less than 30 chemistry departments: the chemistry group also argues for about 20 larger departments with at least 30 staff and 300 students.

This would imply that there would be up to 20 university institutions without a full physics or chemistry department – or, in some cases, both – although the review bodies note that a handful of small departments have already closed in recent years.

Both reviews stress that universities unable to sustain single honours physics or chemistry degrees could offer general science courses. The physics review spells out the options for universities below the thresholds named in the reports:

- Departments could try to build up their student numbers, possibly by attracting more foreign students.
- Universities could merge several small departments into inter-disciplinary departments.
- Institutions could enter a consortium for physics and chemistry teaching with neighbouring universities. The physics review stresses the need for a capability in each region.

Neither review advocates a reduction in the numbers of science graduates being produced by British universities. Indeed, both highlight evidence that the demand for physics and chemistry graduates by industry is likely to increase.

However, both also criticise the impact on university physics and chemistry departments of cuts in public funding. "Systematic underfunding is no basis for a reorganised structure," said Professor F.G.A. Stone, professor of inorganic chemistry at Bristol University and chairman of the chemistry review group.

The reviews each recommend an extra £30m to be spent on modernising equipment in the remaining departments. Both call for special measures to increase the number of academics in physics and chemistry departments aged under 35: these account for less than a fifth of the number of academics in chemistry departments.

The reports back an overhaul of physics and chemistry teaching in universities to ensure that students are not overwhelmed by the amount of material.

The physics review argues that this will become a pressing difficulty because changes in schools such as the General Certificate of Secondary Education exam, the national exam for those older than 16 which was introduced last year, and the national curriculum will dilute the physics capabilities of sixth formers. This could require new bridging courses in universities.

UK NEWS

Probe as robber steals missile unit from Shorts

By Our Belfast Correspondent

AN INVESTIGATION has been ordered into security arrangements at Short Brothers, the Belfast aircraft and missiles manufacturer, after an armed man escaped with a model aiming unit from the company's factory in Belfast yesterday.

Shorts moved quickly to dispel fears that the unit could be adapted for use on surface-to-air missiles which police believe are already in the hands of the IRA.

A company spokesman said: "An item of non-operational ancillary training equipment was stolen by two unidentified intruders. The matter is now in the hands of the RUC." Shorts executives ordered a full scale inquiry into the incident.

After the robbery police sealed off a wide part of east Belfast and cars were stopped and searched.

It is thought to be the first major breach of security at one of the company's plants.

The Castlereagh factory, in Belfast, is part of the missiles division which sells its products to armed forces all over the world.

Their current range includes the Javelin and Blowpipe man-portable, shoulder-launched systems, the Seacat ship-to-air/surface missile and, the latest project, the advanced Starstreak high velocity system which has been selected by the UK Ministry of Defence to meet future close air defence requirements.

The stolen unit, described by police as a simulated model of a missile aiming device, did not contain any electronics or explosives.

It is understood a man walked into a store at the high security factory and removed the unit.

He was challenged by a member of staff but produced a gun and was able to escape with the equipment in a car driven by an accomplice.

It is not yet clear how the intruder managed to get into the factory and police could not comment on the value of the unit.

Earlier this year police said they believed that the IRA had taken possession of huge consignments of weapons thought to have included surface-to-air missiles capable of shooting down helicopters.

Shorts is Northern Ireland's biggest manufacturing company employing around 7,600 workers on several sites. The Government announced earlier this year that Shorts is to be sold off along with Harland and Wolff, the Belfast shipbuilders.

IBM, Compaq clash on future PC design

By Alan Cane

INTERNATIONAL Business Machines, the world's largest computer maker, and Compaq Computer which claims market leadership in high performance personal computers (PCs), clashed in London yesterday in a continuing industry battle over the best design for future generations of PCs.

Representatives from both companies spoke at the opening of a Financial Times conference on professional personal computers in the 1990s.

IBM set the standard for personal computer design with its first family of PCs in 1981. However, its Personal System/2 family of advanced computers, launched last year, features sophisticated circuitry (the "bus") to exploit the full power of Intel's most advanced 80/386 microprocessor chip. This circuitry differs significantly from IBM's original design.

IBM has found it harder than expected to persuade its customers and the rest of the industry that the new bus design, called Micro Channel Architecture (MCA) is the best route to the future.

A Compaq-led group of competitors has devised an alternative bus design – extended industry standard architecture (Eisa) – which is compatible with standard PCs while giving full rein to the power of the 80/386 chip.

Mr Jim D'Arezzo, vice-president of marketing for Compaq's international operations, said that the PC industry's future lay with the Intel 80/386 microprocessor and extended industry standard architecture.

He said that there was little market acceptance of MCA. "It was always possible that the sheer weight of IBM could have moved the market... but after a year and a half any real movement by users, other than dyed-in-the-wool IBM users, to MCA has not materialised."

For IBM, Mr Brian Utley, vice-president of Entry Systems Division and director of the IBM Boca Raton Laboratory, emphasised the limitation of the existing PC design.

Its performance was constrained, he said, by the amount of memory it could address and the speed at which it could move information from one part of a computer to another.

He said that IBM supported standardisation and that independent companies which built add-on components (cards) for IBM PCs were already supporting MCA. A large number of MCS machines have already been installed, he said. He added that Eisa would not be complete until next year.

The conference also heard a warning that the PC business would be at risk unless manufacturers made more effort to simplify use of their machines.

Mr Gilbert Hoxie, a senior executive with the management consultancy Arthur D. Little, said that some 80 per cent of all the PCs sold in the US went to customers who already owned one

There were some 45m potential new customers for PCs in the US, Mr Hoxie said, but they were put off by the fact that today's machines were hard to buy, hard to install, hard to programme and hard to use.

Jams today and jams tomorrow

Kevin Brown looks at the struggle to keep a modern city moving

MR PAUL CHANNON, the UK Transport Secretary, took the opportunity of his speech to the Conservative Party conference recently to announce, with some fanfare, a £750m rebuilding scheme for part of London's Underground railway network.

The announcement was meant to illustrate the seriousness with which the UK Government is now tackling transport issues.

But it serves better as an illustration of the severity of the problems which face UK cities, of which London is the worst example. Some other European capitals will recognise the problem.

The Underground's Central Line is to get 85 new trains to replace its 30 year old rolling stock and modern signalling to replace the existing 1940s system.

It will be eight years before the scheme is complete, but eventually it will increase capacity by about 16 per cent.

Meanwhile, according to London Underground's own figures, demand will increase by 20 per cent. In other words, congestion will be worse than it is now.

This is not an isolated example. London Underground recently announced a separate plan to spend up to £1.5bn to increase overall capacity by 7 per cent over the next five years.

But Dr Tony Ridley, the Underground chairman, was forced to admit almost in the same breath that peak demand is forecast to increase by 10 per cent over the same period.

This would not matter much if the Underground had plenty of spare capacity.

There is a similar story on Network South-East, which runs British Rail's London commuter services. Peak demand is up from 385,000 passengers in 1983 to 445,000 last year, and is expected to reach 500,000 in the early 1990s.

NSE plans for up to 35 per cent of its passengers to stand during the rush hour, but even this target was exceeded last year by 4.2 per cent.

Things are little better on the roads, as anyone who has been stuck in a traffic jam on the London's Piccadilly Underpass will know.

The principal reason for the squeeze on transport capacity is strong economic growth, following a steady decline in the 1970s and early 1980s when there was little investment in infrastructure.

What can be done? The British Roads Federation is pressing for a new "orbital" road south of London and several other schemes including the "dualling" of the now ageing North Circular Road. But would these schemes really ease congestion?

There is some evidence that they would not. For a start, traffic speeds have hardly changed in central London since the beginning of the century, despite all the road improvements and traffic management schemes which have been introduced.

The problem was identified as far back as 1908 by a Post Office inquiry, which reported: "Whether it will ever be possible to obtain an average reliable speed of over 8 miles an hour during ordinary business hours in central London, even with motor vans, is a matter of extreme doubt."

In fact, the Post Office was only slightly pessimistic: regular scientific measurement since 1947 shows that speeds have always been above 11 mph, but never higher than 13 mph.

The most convincing explanation of this is a theory known as the Downs-Thompson paradox, after the two academics who formulated it.

The theory states that in congested conditions, the number of people who choose to drive is determined not by the condition of the road system, but by the efficiency of public transport.

If road capacity is increased so that demand switches from public transport to roads, then the public transport system will have to increase fares or cut services to remain viable (or keep within subsidy limits).

Meanwhile, increased traffic flows on to the roads only up to the point where traffic speeds come back into equilibrium.

Mr Martin Mogridge, associate senior research fellow at University College London, says his application of the theory to London shows that journey speeds by car and public transport are identical, and have been since at least 1962.

If Mr Mogridge is correct, the only way to speed up the road system would be by improving the high capacity public transport network, paradoxical as that may seem.

A Department of Transport study on the capital's rail needs is expected to conclude that a major expansion of the Underground system is required, together with cross-London rail links to be operated by British Rail.

More cheaply, buses – which are around 13 times more efficient than private cars – could be made more attractive by increasing the number of bus lanes and segregating them from other vehicles.

The snag with most of this is that the increased capacity cannot be delivered for at least five years, and probably more like 10. And if economic growth continues at forecast rates, the extra capacity will be needed simply to cope with the increase in demand, without denting the existing congestion problem.

Capital problem: London struggles to balance public and private transport as economic growth spurs congestion

Europeans sign pact on car gas without UK

by John Hunt

Environmentalists yesterday accused the UK Government of dragging its feet on the control of pollution after 12 other European countries signed a declaration voluntarily reducing emmisions of nitrogen oxides.

The 12 pledged to reduce pollution from cars and power stations by 30 per cent by 1998.

Britain has refused to be party to the declaration which was signed in Sofia, Bulgaria.

But today Lord Caithness, the UK Environment Minister, will sign a protocol in Sofia under the aegis of the United Nations which commits Britain and most of the leading industrial nations to freezing emissions of nitrogen oxides (NOX) at 1987 levels by 1994.

The environmentalists argue that the voluntary declaration will produce swifter and more decisive reductions in toxic air pollutants than today's protocol.

Ms Fiona Weir, air pollution campaigner for Friends of the Earth, the conservationist organisation, accused Britain of using the "laggard's veto" in refusing to sign the protocol.

But a spokesman for the Department of the Environment said that yesterday's declaration was irrelevant and would be overtaken by today's protocol which was committed to reduce NOX emissions to a benign level.

The countries which signed yesterday's declaration were Finland, Norway, Belgium, Italy, France, Austria, Switzerland, Sweden, West Germany, Liechtenstein, Denmark and the Netherlands.

NOX emissions in some of these countries are caused predominantly by cars fitted with converters to reduce pollution.

In Britain, however, the emissions come equally from cars and power stations burning fossil fuels. Britain is placing the emphasis on lean burn car engines.

UK NEWS

Life groups say tax plans may raise costs by 31%

by Nick Bunker

THE COST of some life assurance policies could rise by as much as 31 per cent if the UK Inland Revenue implements far-reaching proposals for reforming the industry's taxation and increasing its tax bill, according to research commissioned by the Association of British Insurers.

In June, the Revenue outlined three options for the first full-scale review of life assurance taxation since 1923, as a means of eliminating tax privileges which it says give life assurance a competitive edge over unit trusts and investment trusts.

The biggest price increases, according to the comprehensive report, would affect term assurance policies, which pay out lump sum benefits when the policyholder dies.

However, premium rates for some unit-linked investment policies, the ABI says, could also rise between 14 and 28 per cent, leading to a big decline in sales.

In addition, the Revenue's plans might lead indirectly to mergers between life offices, especially mutuals.

UK insurers could also find themselves handicapped by an additional tax and administrative burden.

These were some of the conclusions contained yesterday in the ABI's response to a the Revenue consultation paper of June 17.

The ABI, representing 212 life assurance companies, denies that the industry's tax bill has failed to keep pace with the explosion in sales it has seen in the 1980s.

The thrust of the first two Revenue options is to move away from the present system, in which life companies are taxed on the difference between their investment income and their expenses. This system can mean that in some circumstances, when life companies are growing fast and setting up big reserves, that they pay no tax at all.

The third and least radical Revenue suggestion, would involve a piecemeal approach, retaining the present system but tackling individual abuses and anomalies.

The ABI says any changes made by the Revenue should be under the third option but bitterly opposes limits on its ability to write off marketing costs when incurred.

Much of the real meat of the ABI's criticisms was contained in appendices to the report researched by Tillinghast, the actuarial consulting firm, Peat Marwick and Price Waterhouse, the accountants, and Professor E. Victor Morgan.

According to Tillinghast and Price Waterhouse, UK companies are already disadvantaged compared with EC competitors because in most of Europe only the life company's investment returns are taxed.

"Life offices in the UK are extremely efficient compared with competitors in other European Community countries," the ABI says.

"It is disappointing that (the Revenue's) document makes little serious attempt to examine the effects of its proposals in the context of 1992."

Conflict halts pay phone plans

By Hugo Dixon

A conflict between social objectives and efficiency is reported to be delaying the liberalisation of the UK pay phone market.

Lord Young, Trade and Industry Secretary, has referred back a report from Prof Bryan Carsberg, director-general of telecommunications, which called for the market to be open to all comers to improve efficiency.

Lord Young is said to be concerned that a free-for-all in callboxes would lead to the removal of phones from unprofitable sites, where the social need for them is often the greatest.

The worry is that new entrants to the market would "cherry-pick", setting up rival services only in profitable locations threatening British Telecom's viability.

One idea being examined is the possibility of raising a levy on all companies which offer pay phone services and using this to subsidise the unprofitable boxes.

The delay is threatening the plans of at least one potential competitor, which has been wanting to get into the market since February.

International Payphones plans to install 20,000 callboxes in the street and a further 45,000 in private premises over the next five years.

Mr Barry Laine, International Payphone's chairman, said that if a decision was delayed much longer his financial backers would pull out of the £40m project.


Paul Channon

Air industry called to summit on congestion

By Michael Donne, Aerospace Correspondent

BRITAIN's airlines, airports, air traffic controllers and the Civil Aviation Authority have been invited by Mr Paul Channon, Transport Secretary, to meet next week and discuss this summer's congestion at UK airports.

Representatives from each group will meet at Lancaster House in London next Monday and seek ways to avoid a recurrence of the summer's airport chaos.

The talks are to help Mr Channon formulate long-term policy for meeting the anticipated growth of UK air travel through to the year 2000.

Forecasts issued yesterday by BAA, formerly the British Airports Authority, indicate that passenger traffic at its seven airports is expected to grow from the 82m recorded in 1987 to between 105m and 135.5m a year by early next century. This is an average annual growth rate of between 3 and 4.5 per cent.

The BAA airports are Heathrow, Gatwick and Stansted in the London area, and Glasgow, Prestwick, Aberdeen and Edinburgh in Scotland.

The number of aircraft movements at those airports is expected to grow at the slower annual rate of 1.5 to 2.2 per cent. This is due to the greater use of bigger aircraft — to meet traffic growth and as a means of reducing congestion at airports.

The forecasts have been prepared by BAA as part of its studies into needs for terminals, runways and other developments at its airports through to the early years of the next century.

Girobank sell-off 'still on target' says Post Office

By Richard Waters

THE planned sale of Girobank, the banking services subsidiary of the Post Office, appeared on course last night despite reports that potential buyers are unwilling to pay what the government believes the bank is worth.

The Post Office denied suggestions that yesterday was a self-imposed deadline for deciding between the rival bids for the bank. The only deadline is for completion of the sale before the end of the year, and this is still on target, a spokesman said.

A belief that yesterday was the crucial date, and that this has now been let slip, has fuelled speculation that the Post Office is finding it difficult to sell Girobank at the £150m-£200m it was thought to be worth.

This speculation has been stoked by news that some possible bidders have pulled out. Bank of Scotland confirmed at the end of last week that it had lost interest because Girobank did not fit in with its "strategic objectives".

Westpac, the Australian bank, is also reported to have pulled out of the running, but would not comment on this yesterday.

The departure of these institutions at a late stage suggest that very few institutions are still interested. The Post Office said in July that its shortlist of potential buyers would number "no more than four or five."

One firm thought still to be in the running is Littlewoods, the UK's largest private company. Littlewoods yesterday refused to comment, referring questions to Schroders, the bank advising the Post Office on the sale.

However, there would be severe drawbacks to a sale to Littlewoods. Other retailers, which use Girobank widely, would be likely to cease dealing with the bank if it was owned by a rival, seriously damaging its business.

Also, as a private company Littlewoods would find it difficult to fund the sort of development envisaged at Girobank. Ministers have said that one of the main reasons for privatising the bank is to allow it access to outside capital markets.

Girobank offers a range of banking services through the nationwide branches of the Post Office.

Footwear industry hit by rising imports

By Alice Rawsthorn

THE plight of the British shoe industry worsened in the summer, statistics from the British Footwear Manufacturers Federation show.

Britain's shoemakers have faced increasing competitition since last autumn, when imports rose rapidly, reflecting the strength of sterling.

Imports in August were worth £79m, a 13.5 per cent rise on the same month last year. As a result, output from the industry was static in real terms. The value of orders received fell by nearly 29 per cent compared with August 1987.

The shoe companies have therefore been forced to resort to cuts and closures. Many manufacturers have been on short-time working in the last year. Some have cut costs through plant closures and redundancies. The federation has formed a group – Project Survival – to tackle the import problem.

The worst-affected parts of the industry are women's shoe companies, concentrated in and around Leicester in the Midlands, and the slipper makers in Lancashire, north-west England. These are the sectors which compete with the low-cost footwear producers of the Far East.

Men's shoe makers, by contrast have remained relatively reslilient, notably those in Northamptonshire, north-west of London. These companies tend to concentrate on the upper end of the market and are less exposed to low-cost competition.

One brighter note for the industry in August was a 17 per cent increase in exports to £17.5m, mostly from men's shoe companies.

TECHNOLOGY

Enzymes stir up detergents market

Paul Abrahams looks at the biotechnological advances prompted by low-temperature washes

Enzyme manufacturers believe that they are making breakthroughs in genetic engineering which will profoundly change the household detergents market.

In Japan, one of the most competitive and volatile markets in the world, a genetically engineered fat-splitting enzyme has already been instrumental in winning substantial market share.

Enzymes have catalytic properties which enable the detergent to deal with certain types of dirt. Proteases, for example, lift off protein stains such as egg, grass and blood, while amylases work on the starch contained in marks caused by cocoa or gravy.

"The enzyme field is beginning to become interesting," says Susan Haylock, a pharmaceutical analyst at London-based Barclays de Zoete Wedd (BZW), the securities house. "If manufacturers are able to create specific enzymes for specific functions, they will start to command higher prices."

The market for enzyme detergents has been sluggish so far. When they were launched in the 1970s, they were poorly received by consumers who were concerned about the effect on their skin. When Unilever introduced enzymes into its main brand in 1983, under the name New System Persil Automatic, within a year it was forced to reintroduce the original non-biological Persil in response to customer demand.

But now enzymes are increasingly being used by washing products manufacturers in their powders and liquids because of changes in the detergent market.

Most important has been the switch to lower temperature washes, to cope with delicate fabrics and save energy. The average temperature used in European washing machines has fallen from 60 deg C to 40 deg C in recent years.

The problem is that heat assists the chemical reactions involved in the cleaning process and the old detergents are less effective at the lower temperatures. Manufacturers have, therefore, looked elsewhere for ways to deal with stains in cooler washes.

One route which would have eased the problem, increasing the amount of phosphate in the detergent, has been closed off. Legislation reducing phosphate levels has been introduced after the discovery that they increase the growth of algae in water systems. So efforts to produce a cleaner wash at lower temperatures are now focusing on the genetic engineering of new enzymes.

Novo Industri in Denmark, one of the world's largest producers of industrial enzymes, has launched a fat-splitting variety called Lipolase. It dissolves stains made by cosmetics, gravy and edible grease such as butter at low temperatures.

Lipolase is already being used in Japan by Lion Corporation. Novo says that the new enzyme has helped Lion regain market share by providing a counter-innovation to the Kao Corporation's highly concentrated liquid detergent, Attack, which had taken 30 per cent of the $1.5bn Japanese market by February of this year.

Steen Riisgaard, vice president of the detergent enzymes division at Novo, says genetic engineering is being used both to create new enzymes and to develop more efficient ways to mass produce them.

Previously, enzymes were developed through traditional microbiological methods of causing mutations in micro-organisms. The structure of their genes was modified by mutagens such as ultraviolet light.

The process was repeated many thousands of times until, by chance, an enzyme was found that met the required specifications. Riisgaard says that the technique was tedious but effective.

"The problem is that existing enzymes have been optimised by nature. But nature hasn't direct them in a way which helps them to be most effective in a twentieth century washing machine," says Olivier Midler, European business manager of Genencor, the San Francisco-based enzyme manufacturer.

Midler explains that it is now possible to modify the amino acid sequence through protein engineering. This enables the deliberate creation of certain characteristics which determine the catalytic properties of the enzyme. Removing the element of chance also helps to cut development costs.

The enzyme can, for example, be made tolerant to a wide range of temperatures, or its pH range can be increased — most enzymes work best in an acid environment of about pH 2, whereas most washing machine tubs are alkaline with a pH of 10. (Neutral is pH 7.) Similarly, the enzyme can be changed so that it is not damaged by other components in the washing powder, such as peroxide bleaches.

The advantage of protein engineering to the enzyme manufacturers is that they can create new ones and then patent them. Genencor has already patented such an enzyme, a protease called Subtilisin.

Hans Van Suyan, director of corporate strategy at International Bio-Synthetics, an enzyme manufacturer jointly owned by Shell, the oil multinational, and Gist-Brocades, the Dutch chemicals company, says that detergents with protein engineered enzymes could be on the market within a year. However, he admits that approval from regulatory bodies, such as the US Federal Drugs Administration, could hold up their introduction.

Another, well established branch of genetic engineering in this field has been directed towards the industrial production of enzymes.

Leo Hepner, managing director of L. Hepner and Associates, the London-based biotechnology consultants, explains that many of the organisms which create useful enzymes need to be adapted for mass production.

In the case of Lipolase, the original organism which produced the enzyme bred very slowly. Novo managed to isolate the gene responsible for Lipolase's production and then introduce it via a vector to a host organism, a microscopic fungus called Aspergillus oryzae, which breeds quickly.

For the production process, the host organism is placed in a tank and fed starch from soya beans and potatoes. The enzymes are then extracted and granulated by mixing them with substances such as salt and cellulose fibres. Finally, they are coated to prevent dust formation which might affect their performance.

Novo says that the development process is expensive and drawn out. It took several years to discover Lipolase and a further year of genetic engineering to introduce it to the host organism. But only four months were needed to scale up the process from a test tube to the 20 tonnes needed to start mass production.

Riisgaard at Novo hopes that, through genetic engineering and patenting, the market for enzyme detergents will take off. The world market for enzymes is estimated at between $300m and $500m.

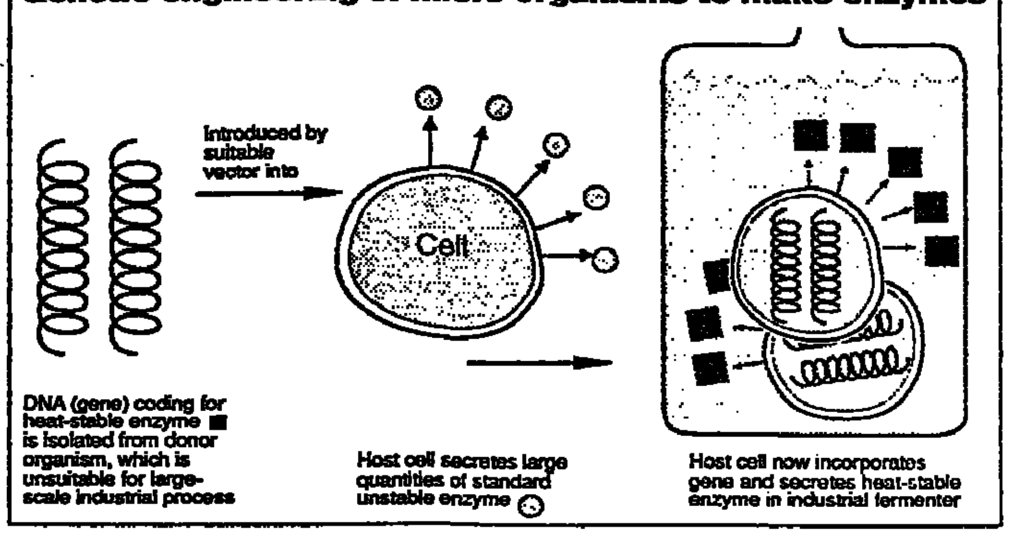
Haylock, of BZW, believes that the detergent manufacturers could use patented enzymes to differentiate their products and gain competitive advantage.

However, not all analysts are convinced that genetically engineered and patented products will necessarily be adopted. The market in Europe and the US is far less volatile than in Japan.

Jack Salzman, vice president at Goldman Sachs, the New York securities house, says he is not sure that the detergent manufacturers will be willing to pay a premium for patented products, unless they can be demonstrated to work considerably more effectively than the established enzymes.

"The new enzymes will have to be a lot better than the existing ones," agrees Andrew Tivenan at James Capel, the London stockbrokers. "If the price performance ratio isn't right, they may not sell at all. Convincing the housewife that she's getting added value will be the main problem."

Genetic engineering of micro-organisms to make enzymes



WORTH WATCHING

Edited by Geoffrey Charlish

US lags behind in automation

ACCORDING to a report from Harvard University, US manufacturers are well behind Japan and Europe in terms of automation. In the metalworking industries, for example, only 11 per cent of all US machine tools were computer controlled in 1987 and 53 per cent of the plants surveyed did not have a single automated machine.

By contrast, a similar survey in Japan, carried out two years before, estimated that 30 per cent of machine tools in the metal removal industries were controlled by computer.

Harvard's findings seem to be in line with other work carried out by Dataquest, the US market research organisation. It reports that of the $41bn expended globally last year on automated manufacturing equipment, 41.9 per cent was spent by US manufacturers, whereas Europe and Asia combined, with fewer manufacturers, accounted for 53.5 per cent.

Just as worrying for the US, suggests Harvard, is the fact that much of the equipment comes from abroad. Okuma of Japan, for example, has 15 per cent of the US computer-driven lathe market. And although a trade agreement limits Japan to importing 30 per cent of the US consumption of machine tools, Japanese firms are building factories in the US to avoid the import restraints.

Software for portfolios

QDQ Systems, a software company of Cambridge in the UK, has launched a portfolio management and administration system, aimed at investment managers and professionals dealing in fixed interest stock, equities, unit trusts, mutual funds and currencies.

The system, called Jacobus, works on a variety of machines and costs between £10,000 and £30,000.

Once standing data about clients, investment vehicles and similar matters have been entered, the user can quickly look at a portfolio, or at a number of portfolios, for comparison purposes.

Subsequent dealing is carefully monitored by the system, which adheres to the UK regulatory framework. A continuous log is kept of all transactions under rigorous audit procedures and passwords are used at various levels of access.

Cancelling out underwater noise

PLESSEY, the UK electronics group, has developed an adaptive noise cancelling technique for use with sonar in underwater detection systems.

Sonar detects objects by sending out short bursts of sound wave above audible frequencies. The waves bounce off submerged objects and the time taken for the return reveals the range. But accuracy and interpretation can be adversely affected by the ship's noise.

About 10 years ago a team at Essex University showed that modern computer techniques could be used to generate sounds in anti-phase (wave opposition) to unwanted sounds, so cancelling them out. The technique has been used to cancel low frequency industrial sounds to improve a local environment.

The Plessey team has applied similar principles to eliminate "ship's own" noise from the engines and other machinery. The equipment detects an unwanted sound and immediately generates an opposing signal, clarifying the results seen on the radar screens.

Designed mainly for undersea warfare systems, the system can be incorporated into modern digital sonar systems, or added to naval sonars.

Students try out a smart card

FIRST announced by the General Electric Company (GEC), of the UK, two years ago, the smart card without electrical contact has just started a year's trial at Loughborough University. It is being used by students in a project with Midland Bank.

Smart cards, commonplace in France (where the idea originated), have still to make an impression in the UK. Although costlier than ordinary banking/retailing transaction cards, they have the advantage of a built-in computer and memory, which allows the user to carry his account around with him.

The memory keeps a record of the transactions and the customer's financial position can be seen by using the card with a terminal (placed around the Loughborough campus).

The computer can be programmed as desired: the students is able to access Prestel, the information service, and travel services offered by Thomas Cook.

Retailers have their own terminal, which works with a customer terminal at the point of sale. The card holder enters his number, the card is debited and the sale is added to an electronic list of the day's transactions.

These records, also on a GEC card, are taken to the bank by the retailer to update central records. At the same time the card is loaded with a "hot" (stolen) card list which the retailer can read on his terminal. Users' cards are recharged with funds by "plugging in" at a bank.

The advantage of GEC's product, which is called Mericard, is that it has no metal contacts. These are known to give reliability problems due to wear and damage.

GEC engineers have designed a short range radio system which allows the card merely to be placed on top of the terminal, not plugged into a socket. The terminal radiates power to the card which uses it to energise circuits that communicate with the terminal.

Lord Prior, the GEC chairman, expects the company to obtain a major share of a market which he predicts will grow to £2.5bn by the mid-1990s.

CONTACTS: Harvard University: US (617) 495 1000. QDQ Systems: UK, 0223 862666. Plessey: London 553 8277 GEC: UK, 021 558 1112

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MANAGEMENT: Small Business

Importing to Japan

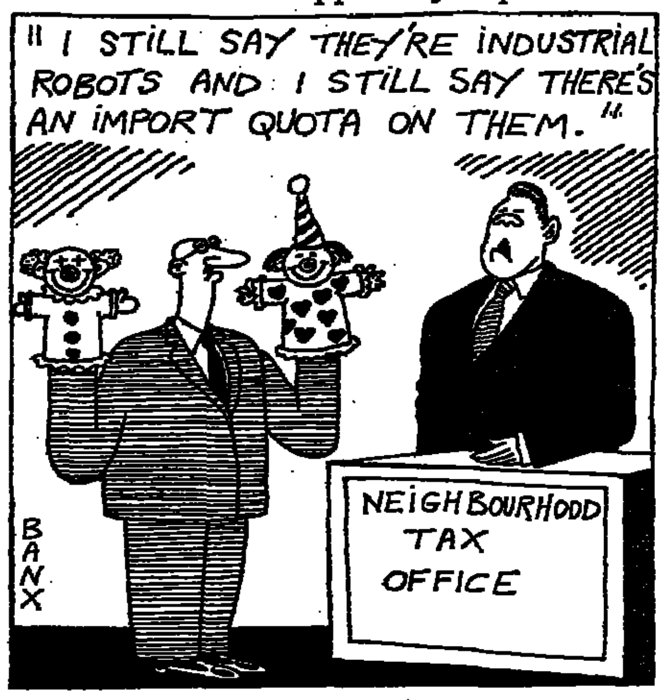
Breaching the unwritten rules

Michiyo Nakamoto on the extent of the supposedly improved climate

When William Shimer, whose company plans to import good quality Californian wines to Japan, applied for a liquor importing licence, the only response he could get from Japanese tax officials was that he would never get one. In Japan, local tax offices have jurisdiction over import licences.

"They just told me that these things are difficult to get and that I was not eligible," says Shimer, one of many small businessmen now arriving in Japan hoping to take advantage of the supposedly improved climate for imports.

Aware that no law in Japan prevents foreigners from obtaining an import licence, he decided to go directly to the National Tax Agency. There he was more fortunate and was able to convince a sympathetic official to have a word with the local officials on his behalf. A single telephone call did the trick.



The next time he visited the neighbourhood tax office, Shimer was not only granted a hearing, he was even able to obtain the documents necessary to file an application for a licence. However, it took several more visits and inquiries before the documents could be completed in the "proper" form. For example, local officials even inspected his office to determine that it was at least 100 metres away from the closest liquor store.

Officially, the word in Japan these days is that markets are open and imports are welcome. Tariffs have been lowered, non-tariff barriers removed and endless import promotions staged in an effort to straighten out the country's lop-sided trade account. The entire month of October was declared import promotion month by the Ministry of International Trade and Industry.

Yet, as Shimer's experience and that of many other fledgling importers shows, there are still countless unwritten rules and ambiguities that make doing business in Japan a daunting experience for the newcomer.

While the larger and better funded companies may hire local consultants to guide them through the labyrinth of Japan's government and business set-up, the small, independent entrepreneur often finds that information that is crucial to the business is hard to come by.

"There is a lack of transparency to the regulations that makes it extremely difficult to do business here," says Shimer. In applying for a liquor importing licence, he found that the criteria for eligibility were so vague and that so much discretion was given to the local administrators that it was virtually impossible to know how to apply.

Stephen Crider, manager of an importing company in Tokyo, would agree. He recently imported some apple butter from the US to Japan but after weeks of fruitless struggles with customs officials, finally agreed to have it thrown into Tokyo Bay.

The apple butter was part of a shipment of jam, which has no import quota and therefore can be brought in freely. The customs inspector, however, refused to believe that the bottles, which were unfortunately labelled apple butter, contained jam, as Crider insisted they did.

In the end, the apple butter was determined to be somewhere in the category of fruit purées and pastes. An import quota still exists on apple purées. Crider's frantic attempts to explain that "apple butter" was just another name for a type of jam got him nowhere. Not only was the name wrong – since it did not have the word jam in it anywhere – it just did not look like jam.

He was left with the choice of appealing, which he knew would not be worth the trouble, sending the apple butter back to its place of origin, which would be ridiculously expensive, or waiving his claim to it, which is what he chose to do.

Always remember that what is common sense to a Westerner may not be common sense in Japan, warns Crider. Getting the product through customs is only the beginning. Trial and error seems to be the only way to find out just what other trouble may lie ahead.

In another incident, Crider, who also sells equipment for sheep farming, was visited by local officials from the Ministry of Agriculture who came to inquire whether he had a licence to import medical equipment. It took seven months to convince the authorities that branding tools and shearing scissors did not belong in the category of medical equipment. In the meantime, Crider's company was obliged to stop importing the equipment.

Not knowing what the exact rules are means you are constantly running into brick walls, he says. That can be devastating for a small company since the costs of merely existing in Tokyo are so high that even the loss of a day's sales can hurt.

The ambiguity that clouds government regulations and filing procedures also effectively prevents foreigners from trying to circumvent the high costs of relying on experienced Japanese forwarders and distributors.

The officials at the local tax office where Shimer finally managed to obtain his liquor import licence were particularly miffed by his plan to import and distribute the wine himself. They would rather deal with established distributors they know well.

Jack Moylan and Theo Street, who import horticultural products to Japan, find that it is their prospective customers, rather than government officials, who give them the most trouble. "Clients want detailed information," says Moylan. And they are often more interested in the packaging than in the product. It seems that Japanese wholesalers contemplating buying Dutch tulip bulbs are far more concerned about the picture on the package – does it look Dutch? – than about the bulbs themselves.

Crider points out that a product's outward appearance is also of the utmost importance when trying to sell to Japan. One of the major difficulties faced by fruit and vegetable growers in the US is creating products that are beautiful enough to meet Japanese standards, according to Crider. "Buyers are so strict," he says. "If you send them a bad batch, that's the last business you will be doing with them."

Shimer's advice to other small importers interested in tapping the Japanese market is not surprising. "Be prepared to take a financial beating for the first couple of years," he says. He has yet to find out if there is a pot of gold at the end of the Japanese rainbow.

The next stage in the on-off saga of small firm audits

Richard Waters on additional services that can be demanded of accountants

They didn't do it. After four years of debate, the Department of Trade and Industry has decided not to get rid of the requirement for small companies to be audited. It made the same decision two years ago as well, but reopened the debate at the urging of those accountants who felt they had more to gain than lose from abolition.

However, something good may yet come out of this non-saga, which leaves the law just where it was at the outset. It is this: accountants who faced losing the audit were forced to give some thought to how they could be useful to their clients. Although the audit has been retained, they should now put some of these plans into operation – and companies should be even more critical of the service they get from their accountants.

It is difficult to say what proportion of the accountants' fees of the average small company are consumed by auditing. Richard Brandt, of accountants Grant Thornton, reckons that it may only be 25 per cent for many companies. But others, he says, spend anything up to 80 per cent on auditing, depending on how much effort they put into their own accounting function.

Much of this money may simply be wasted. For a start, about a quarter of all small companies simply aren't audited; their auditors report that they have relied on assurances from directors rather than forming their own opinion on the accounts. This is known as an "example six" audit report, and is the easy way out for auditors who find it too difficult or time-consuming to do a proper audit. It has now been banned by the Auditing Practices Committee.

Another reason that small company audits may be an expensive waste of money is the frequency with which directors try to reduce their profits for tax reasons. No auditor is going to uncover the extent to which business is not put through a company's books to defraud the taxman.

The Revenue appears to *understand this. It publishes* its own analyses of different business sectors, explaining how they operate and the sort of profit margins one would expect to see in a typical company. These reports, intended to help tax inspectors do their job more effectively, appear to be an admission that the audited figures are less valuable than a healthy dose of scepticism and an understanding of the guts of a business.

So what should auditors be doing that is more constructive? Brandt at Grant Thornton lists the following: the production of cashflow and profit forecasts, to accompany financing proposals; advising companies on computer security (many small companies consign vital commercial information to their computers with little thought as to its safety); providing better information *about government grants;* producing information to enable companies to judge their performance in relation to their peers: and helping owner-managers with their personal financial affairs.

Some accountants already do this, and more. But they claim that since companies are forced to spend money on auditing, they have less to spend on other services from their accountants. This is only part of the truth.

Accountants themselves *have failed* to offer many of these services (could your auditor tell you how your gross margins compare with those of your competitors?). They blame auditing for being reactive rather than forward-looking, but have done little to move beyond it. The range of more useful services should be made to stand on its own feet.

Meanwhile, the on-off audit debate is unlikely to go quiet for long. The European Commission is working on a revision of its 4th Company Law Directive, which would reopen the question of small company auditing.

Next time round it may not leave it to national governments to make up their own minds but may abolish the audit for small companies across the Community. Such a *change, though,* is still several years off.

Assistance that leads to confusion

Many small and medium sized enterprises would prefer a "one stop shop" where they could obtain information on *trading opportunities and* financial incentives and assistance in Europe rather than the multiplicity of agencies that currently exists, according to a survey by the Humberside Business School.

The survey was carried out among SMEs in Bradford, Grimsby and Scunthorpe, Hull, Leeds and Belfast. It revealed that the companies were reasonably well aware that unifi*cation presented them with the* chance to expand their businesses; there was little understanding, though, of the detail of trading opportunities, technological initiatives and financial incentives. The study took place in 1987, before the Department of Trade and Industry's Europe Open for Business Campaign was launched in the Spring of this year.

Many companies had a strongly negative outlook. Though aware of opportunities for intra-community trade, some 60 per cent tended to focus on the difficulties involved rather than the opportunities. Many claimed certain *member states wre protection*ist; a small number had considered tendering for public contracts in other member states, but only 3 per cent actually submitted a tender.

Fifty-two per cent were involved in external trade, but only 4 per cent were aware of the type of assistance provided by the EC. And as for technical collaboration, just 4 per cent had any knowledge of commu*nity initiatives.*

In each of the different areas covered by the survey there was ignorance of assistance available from the EC. Indeed, in Belfast not one of the companies surveyed was aware of assistance available for external trade, and only 8 per cent were well versed in the type of national help on offer. SMEs in Bradford, meanwhile, had little confidence that a unified *Europe would remove the kind* of technical, non-tariff barriers they complained of.

"It is perhaps not surprising that most firms were unaware of the distinction between national and EC financial aids," remarks the study.

Those companies which said they were exporting without too many difficulties tended to have few, if any, home competitors in their European markets, an example being an analytical instrument manufacturer. A marine engineering firm had also successfully tendered for business in France, Germany and Italy.

A rather depressing point which emerges again and *again in the study is the wide*spread reluctance among SMEs to learn languages. Citing one example the study talks of a food manufacturer where "the acquisition of language skills was not regarded as a priority," although it adds, ironically, that "it was clear that exporting to Europe was a priority."

While the study found that only a small number of SMEs were aware of EC business opportunities, a small follow-up last August pointed to evidence that "the overall general level of awareness had improved."

An obvious problem was that the term SME covered such a wide range of business organisation. "It is difficult to see how the informational needs of such a wide range of enterprises could be adequately dealt with under one policy."

Looking at the range of help available, the study suggests that "to be effective advice agencies would have to take a more pro-active stance, especially for the smaller firms." It adds that "a *major problem* facing many SMEs is quite simply knowing which agency is responsible for which area of advice." And it suggests that "up to 90 per cent of SMEs are looking for a 'one stop shop' as their first contact with the advice giving network."

Is the message getting through? An examination of the awareness of firms to EC business opportunities, by Dr Jill Preston, Humberside Business School, Cottingham Road, Hull HU6 7RT.

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FT LAW REPORTS

Charterers liable for sailing delay

THE BOUKADOURA
Queen's Bench Division (Commercial Court): Mr Justice Evans: October 18, 1988

OVERSTATEMENT of the quantity of cargo loaded is an irregularity in the bill of lading, though it may be an accurate record of the shore measurement. And where a charterparty provides that bills of lading shall be signed by the master "as presented", but that charterers shall indemnify shipowners for loss consequent on irregularity in the papers, liability to indemnify arises if sailing is delayed because the master reasonably refuses to sign a bill which is inaccurate as to the quantity loaded, and orders re-measurement of cargo.

Mr Justice Evans so held when giving judgment for the plaintiff shipowners, Boukadoura Maritime Corporation, on an indemnity claim against Anonyme Marocaine de l'Industrie et de Raffinage, in respect of delayed sailing.

HIS LORDSHIP said that Boukadoura loaded a cargo of fuel oil at Yanbu in Saudi Arabia in September 1986.

The shippers calculated that 542,479 barrels were loaded. The master disagreed. The cargo was measured by the chief officer and surveyors acting on behalf of the vessel. Their figure was 537,401 barrels. The difference of about 5,000 barrels represented nearly 1 per cent of the total quantity.

A bill of lading recording shipment of "a cargo said to be . . . 542,479 barrels" was presented to the master for signature. He refused to sign it, but said he would do so if he could endorse it with the ship's figures. He also prepared a notice of protest addressed to the terminal operators and handed it to the agents.

The vessel's sailing was delayed, and when she did move from berth it was to inner anchorage. A further survey was arranged. The ship's figure was recalculated as 536,825 barrels.

The charter voyage was successfully completed, but the vessel sailed from the loading port some 24 hours later than she might have done if the master had signed the bill of lading as presented.

The owners alleged breach of contract by the charterers in requiring the master to sign a bill of lading which substantially overstated the quantity of cargo loaded. They also relied *inter alia* on an express indemnity given to them by clause 20(a) of the charterparty. The charterers disputed all contentions as well as challenging the correctness of the ship's figures and the reasonableness of the master's conduct.

The ship's figures were confirmed by measurements taken when the cargo was discharged. The evidence made it clear that the shippers' bill of lading figure was substantially in excess of the quantity loaded. The master acted reasonably throughout. He did not cause or contribute to the delay by any unreasonable act or omission.

The charterers submitted that the master was bound to sign the bill of lading without qualification or endorsement.

No bill of lading was signed. The charterparty was on the STB Voy form. Clause 20 (a) provided "Bills of lading shall be signed by the master as presented . . . and the charterers shall indemnify the owners against all consequences . . . which may arise from an irregularity in papers supplied by the charterers or its agents".

The shipowners relied on that express indemnity.

The charterers said the master was obliged to sign bills of lading "as presented" to him. They said the express indemnity did not cover the present claim because even if the bill of lading figure were inaccurate, there was no "irregularity" in the bill — it stated that the cargo was merely "said to be" of the volume stated, and that was necessarily the shore figure.

Certain assumptions, stated in general terms, might be made as to the rights and obligation of parties to a voyage charter.

First, contractual relations between shipowner and charterers remained governed by the charterparty notwithstanding the issue of a bill of lading to a third party shipper.

Second, although the shipper was an independent third party, for the purposes of the charterparty he should be regarded as the agent through whom the charterers had performed their undertaking to load cargo on the vessel.

Third, when shipowners through the master or agents issued a bill of lading, they undertook responsibilities and potential liabilities to third parties which were independent of the charterparty contract.

Fourth, whereas in earlier times the bill of lading might have been regarded as a negotiable receipt issued as a favour by shipowners for charterers' convenience, the commercial reality today was that the shipowner would invariably be required and would expect to have to issue a bill of lading which would or might be held by third parties other than the charterer.

Fifth, it was for practical purposes inevitable that liabilities under the bill of lading contract would differ to a greater or lesser extent from those undertaken by the shipowner under the charterparty.

Against that background it might be more difficult now than formerly to imply a term that the charterer would not present for signature a bill of lading which exposed the shipowner to greater liabilities than those undertaken towards the charterer.

The guiding principle was that contractual relations between shipowner and charterers were and always remained governed by the terms of the charterparty and, where relevant, by the legal consequences of the dealings between them, such as an *implied collateral contract* to indemnify which might arise from the request for and signature of bills of lading.

The starting point, therefore, in the present case must be the express terms of clause 20(a). Those required the master to sign bill of lading "as presented" and they provided the owner with the protection of an express indemnity against the consequences of any "irregularity" in the papers supplied.

But that did not mean the master was bound to sign, or that the charterers might issue a bill of lading *in whatever terms* the charterers chose to demand. There was a basic and implied requirement that the bills as presented should relate to goods actually shipped, and that they should not contain a mis-description of the goods which was known to be incorrect.

The question was what was the position when the charterer presented a bill which accurately stated the shore measurements, but which the ship's records suggested was an over-statement of the quantity loaded? It was common ground that measurement of cargoes such as this could never be precisely accurate. A difference between shore and ship figures was both inevitable and notorious.

The sensible course for the master to adopt in such circumstances was to clause the bill of lading either generally ("quantity and weight *unknown*")or by recording the ship's figures alongside the shippers'.

The former alternative was probably sufficient to protect the shipowner against English law claims under the bill of lading. But it could not be assumed that it would necessarily protect him in other jurisdictions.

In the present case the charterers presented a bill which was inaccurate as to the quantity loaded, and they refused to accept the master's qualified signature. If the inaccuracy was an "irregularity in the papers supplied", clause 20(a) required them to indemnify the shipowners against all consequences arising therefrom.

There was an "irregularity", and there was no reason from the terms of the clause or as a *matter of principle,* why the indemnity should only become effective when the bill of lading was signed, nor why it should apply only to liabilities arising from the master's signing the bill as distinct from the "consequences" of the charterers' act in supplying the "irregular" document for signature.

If that was the correct interpretation of the agreement to indemnify in the charter, the only remaining question was whether the relevant consequences included loss suffered by the shipowner when the vessel *was delayed while the master* reasonably employed surveyors to re-measure the cargo and attempted to resolve the problem with the shippers.

That was the very kind of loss which could be foreseen as likely to result from supplying shore figures which differed from the ship's measurement, and which were inaccurate, if the master was not permitted to clause the bill of lading accordingly.

The shipowners were therefore entitled to recover compensation under the express terms of clause 20(a).

Also, the charterers were in breach of an implied warranty that the bill of lading figure was accurate. When there was an express indemnity against inaccuracy, as in clause 20(a), it was proper to imply a warranty as to accuracy as a term of the charterparty.

The overall period of delay was assessed as 24 hours. The agreed measure was the demurrage figure of $16,000 per day.

Judgment for the shipowners.

For the shipowners: Jonathan Gaisman (Ince & Co)

For the charterers: Stephen Tomlinson (Knocker & Foskett)

Rachel Davies

Barrister

ARTS

Age is opportunity no less than youth

William Packer on Elizabeth Blackadder, Rodrigo Moynihan and Norman Adams

It may be a little early to look back over 1988, but one particular point is already inescapable and worth mentioning now. Although as always young artists have declared themselves and we have seen promise confirmed into substantial reputation, for once the young can take second place. For above all this has been a year in which a surprising number of distinguished senior artists have come at last into their own.

In mid September I found myself writing in one week of three such celebrations: Leon Kossoff at Anthony d'Offay; Jeffery Camp at the Royal Academy (which show opened at the Manchester City Art Gallery at that weekend); and Carel Weight, as prolific as ever at 80, at Bernard Jacobson. Each of them asserted his right to a place in the front rank of living British artists and therefore by right into prominent places on the international stage. So it has been with Adrian Berg's fine show of landscape painting just over at the Piccadilly, and the Paula Rego retrospective now at the Serpentine. Still the pattern continues and at a time when London's galleries are full of rich and various treats, I make no apology for looking again to some senior contributors to that feast.

Elizabeth Blackadder fills the the Mercury Gallery (26 Cork Street W1: until November 19), as she has at regular intervals these many years, with as spectacular a display of painterly virtuosity as one could wish to see. Most of the works are in water-colour, the medium which has engaged her almost exclusively since the mid 1970s, but several are carried out on, for water-colour, the largest scale, and done with such bravura and authority that they stand fully the equal of any oil painting.

The subjects are familiar: flowers; cats; landscape drawings; the distinctive oriental still-lifes of objects scattered map-like across the surface. So seductive are the images, and of such innate delicacy, that it takes a full double-take to register their radical nature, as painting *qua* painting. Miss Blackadder is the most natural and exuberant of painters and, if only we think to look for it, one of the boldest expressionists we have ever had, laying the paint on as free to be itself as to describe its subject. She is quite simply one of the best dozen painters now working in Britain, though Scotland must have first claim on her.

She has many faithful supporters and patrons, and this show again has all but sold out. We need hardly worry on her account, yet it remains one of the great mysteries of contemporary curatorial judgement that still, after a career of some 30 years, she is barely represented in our national collections. Oh, but she paints flowers, and cats, and her work is too attractive to be serious, and she is Scottish. After the past and present success of David Hockney, only six years her junior, who has painted flowers enough and now his dog, and all in the most unrepentantly decorative way, the excuses begin to wear rather thin.

Lately she has turned again to oil paint and has chosen to work from the model to get back into the way of it. She persuaded that most distinguished Scottish nonagenarian, Naomi Mitchison, to sit for her portrait, which is shown now for the first time. It is the most lovely thing, infinitely tender in its observation of a remarkable lady in extreme and lively old age, and by any measure a major work of art. The National Portrait Gallery should buy it straight away.

★

Rodrigo Moynihan, who is 78, having had no show in London in six years now has two on at once. Some recent paintings are at the new and welcome David Grob Gallery (20 Dering Street W1: until November 18), while Karsten Schubert (85 Charlotte Street W1: until November 12) has a small retrospective show of his drawings and water-colours. He too has been a distinguished portrait painter in his time: witness the large conversation piece of the staff of the Painting School at R.C.A. c.1950, now in the Tate. But lately the portrait has become simply the self-portrait, seen as an informing, working presence on the far side of the empty studio. His principal subject is now the studio table-top, set out with the mundane paraphernalia of the painter's craft. The easy formality of some of these arrangements, their objects put out with studied negligence on the clear, isolated shelf, readily call to mind the grander symbolic compositions of Chardin. The comparison, though by no means exact, is neither remote nor unworthy.

The drawings show reminds us rather of the length of Moynihan's mature career, going back to the mid 1930s, and the variety in his work, from the prewar experiments with an abstracted expressionism, revived around 1960, and the Euston Road observation of the 1940s, to the final concern with the interior and the still-life. The two shows, small as they are, make a distinguished pair.

★

Norman Adams, just turned 60, has followed Jeffery Camp in the Diploma Galleries of the Royal Academy; in the brilliant light of this fine autumn there is nowhere better for seeing paintings. He is showing a selection from the mass of work he has done in the past 10 years or so, which he calls his "Colour Chart of the Way."

He is another exuberant colourist in both oil and water-colour, but, though he too, like Moynihan and Miss Blackadder, looks to the real world of landscape and still-life for the material of his imagery, he then develops it much further towards an expressionist abstraction. He is a romantic and a symbolist too, loading even the most obvious of his imagery with a transcendental and clearly religious inference, no matter that it may be generalised and unspecific.

To call his work decorative, far from abusing it, is to celebrate one of its most striking and potent qualities. His painting is indeed his celebration of painting itself, of life and being alive – a personal hymn, after his own fashion, to the glory of God. We may live in a secular age, but artists, in their curious and sometimes pagan way, were always mystics and celebrants of sorts.

Elizabeth Blackadder's portrait of Naomi Mitchison, 1988.

Further Reich

FESTIVAL AND ELIZABETH HALLS

The South Bank survey of Steve Reich ends tomorrow with the British première of his *Different Trains*. The series has cannily mixed new Reich with the more familiar pieces – a complete performance of the seminal instalment in the Elizabeth Hall, and two orchestral concerts in the Festival Hall on Thursday and Saturday introduced music from the 1980s.

The London Symphony Orchestra and Michael Tilson Thomas were involved in both those programmes: in the first they contributed *The Desert Music* of 1984, which first arrived in Britain at the Proms the following year, and in the second gave the British premières of *Three Movements* (1986) and *The Four Sections*, finished a year ago.

Those who regard Reich as the most musicianly of the American minimalists, the one of their who has used the technique to the most sophisticated ends, may be both dismayed and partially assured by the recent music. I cannot make much of *Tehillim*, the over-extended psalm setting from 1981 for four female voices and chamber orchestra that began Thursday's concert, and which seems now to have been a one-off foray into purely melodic territory. But the remaining orchestral pieces, rather than the slight and seemingly redundant orchestration of his earlier Octet as *Eight Lines* that Gregory Rose and his ensemble Circle included on Saturday, show both the continuing potential as well as the limitations of Reich's style.

The later Reich, as the series continues to demonstrate, is a lusher, softer-edged organism than before. His music was spawned from high-precision sounds – wood and metallic percussion, and still sounds best on those instruments. They give it a rhythmic bite and icy exactness which the wider canvasses of a symphony orchestra inevitably dissipate – strings blur the outlines and the harmonic clarity, while the sheer number of players prevents the electrifying standard of co-ordination which Reich achieves with his own group. It's almost poignant to discover the significance of those instruments embodied in the stage layout of all three orchestral pieces, which seat the tuned percussion and pianos directly in front of the conductor as a kind of minimalist continuo, laying down the rhythmic and harmonic framework which can then be infilled and coloured by the rest of the orchestra.

It works intermittently in *Three Movements*, which uncoils an intriguing, vaguely chromatic slow movement and finally blazes into a *Rite of Spring*-like gallimaufry, and more consistently in *The Four Sections*. Where symphonic composers traditionally had a problem in writing adequate finales, Reich's problem seems to be with first movements, for both these multi-movement forms begin fitfully. The opening of *Four Sections* occupies almost half of the 25-minute work, unfolding in string cajons and quasi-modal line that sounds at times like contemplative Vaughan Williams but takes far too long over it, yet the remaining movements, smoothly geared by metrical modulation to an ever increasing tempo have the energy and projection of Reich's best music.

Everything about the second half of the piece works effectively – the setting-off of the four departments of the orchestra against each other, the parsing of each movement into four harmonic regions and the limning of the metrical stresses and melodic patterns by deft orchestration. Even purists who still regret the passing of hard-line minimalism would have to admit that Reich's instinctive gift for these rhythmic asemblages has lost none of its charm.

Andrew Clements

Gluck's 'Paride'

VICENZA FESTIVAL

The Vicenza Festival, one of Europe's newer, has a neoclassical core, as befits the city of Palladio. In addition, it links each year with another country. In 1990 it will be Britain; this year it was Spain. William Weaver has told in these columns of Calderon's *El gran teatro del mundo*, with Falla's incidental music. In July Cavalli's *Calisto* had its first full-scale modern revival. During September and October the festival (which runs from June to October) hotted up with performances of *El amor brujo* in the 1915 chamber version, Tirso's *El Burlador*, a Roberto Gerhard concert, concerts of contemporary Spanish music, the 13th century *Cantigas de Santa Maria*, and a Bunuel retrospective. Neoclassicism was represented by a production of Gluck's *Paride ed Elena*.

Paride (1769) was the third of the "reform" operas on which Gluck and Calzabigi collaborated – after *Orfeo* in (1762) and *Alceste* (1767). Those works are heroic. *Paride* tells, in five acts, how a prince comes to claim his prize (the world's most beautiful woman) after judging the divine beauty contest, and falls in love with Helen; and how she, though affianced to Menelaus, and bred to stern, Spartan ideals of duty, yields at last, against her will, to erotic attraction.

There are just three principals: Paris, Helen, and Amor in the guise of the courtier Erastus. In Act 5, Pallas Athene appears, warning the lovers of the strife that will ensue if they elope; they are shaken, but are too deeply in love to part. All the singers are sopranos. The early Gluck commentators, who had not seen the piece in the theatre (no 19th-century productions are recorded, and few were given, until recently, in our century), thought the matter too slight. But both I (after Manchester and Munich productions) and Max Loppert (after one in Drottningholm) have recorded a spectator's rapture in the work. We both deplored transpositions and cuts, however. In Vicenza, *Paride* was performed, at last, at pitch and, except for some recitative, uncut. It was enthralling.

Comparisons with *Tristan* are not inapt. Gluck explores the workings and development of love with subtlety and writes sensually beautiful music that cannot be resisted. Alan Curtis, conducting, drew eloquent playing from a less than virtuoso Veneto youth orchestra and inspired his singers. Alessandra Mantovani was a passionate Paris, Alessandra Ruffini an exact and cogent Helen. The Amor, Caterina Trogu Rörich, tended to chop recitative into disjunct phrases. Adelisa Tabaidon was a formidable but not wholly precise Athene. Silvia Da Ros and (the only male voice of the evening, as tenor) Francesco Piccoli sang small solos, as chorus leaders, firmly and well.

Palladio's Teatro Olimpico, with Vicenzo Scamozzi's famous perspective set, is the principal home of the festival productions. It is understandable that designers who have worked with it for year after year long to ring changes. For *Paride*, Pasquale Grossi had obscured the set with a white curtain that was looped up in various ways to reveal just sections of the Scamozzi scene. A miscalculation: Vicenza visitors want to see the Teatro Olimpico in its full splendour and cursed the obscuring curtain. Walter Pagliaro's production was largely passable but was marred by some episodes of jejune silliness.

Andrew Porter

The Forest

BERLIN

To the Gilgamesh Epic add Robert Wilson, David Byrne, Heiner Müller and Darryl Pinckney and you get *The Forest*, a commissioned stage presentation at the Theater der Freien Volksbühne in Berlin under the aegis and largesse of the city's European Cultural Capital mandate.

Burdened already with a cultural price tag of more than DM4m (circa £1.4m), *The Forest* runs to some four hours and has about as much to do with the Sumerian legend as D.W. Griffith's *Intolerance* had to do with Old Babylonia. For this observer, it came across like the classic elongated yawn.

Wilson likes to play with form and space and time, with images encased in subtle lighting. In the programme-catalogue he took care to number all his blocks of artistic expression: "I found the shape of the trees very early: just vertical lines, cut by a horizontal bed . . . . To me, the vertical line in the piece is time, the horizontal line is space."

From this abstract point of departure, he ventures noticeably into images and landscapes of the 19th century (the period of the epic's discovery), some clearly Romantic (Christmas trees in a Victorian study) and others anchored in a modern, machine-age milieu (the interior of Krupp's Villa Hügel in Essen).

As for the dramatis personae – Gilgamesh (Martin Wuttke); his friend Enkidu, his mother; and the whore sent to seduce Enkidu – there is a certain satisfaction to be had in identifying the epic's figures from act to act since the programme booklet's text, with its jumbled phrases, offers more confusion than certainty even if you have done your homework beforehand.

One act in particular, the third, features a "tall figure with porcelain head" on stilts, draped in a dark constricting gown, who moves in measured slow-motion steps (as most of Wilson's actors do) across a barren desert: this spiritual manifestation, shaped from the world of dreams and nightmares, held my attention more than the on-going seduction of Enkidu.

David Byrne's score, by contrast, does little to open up a vista to the epic or its 19th-century ambiance. Neither rock nor avant-garde, it offers on electronic keyboards at best a wisp of Mahler, a touch of Philip Glass, and a hint of the Orient.

But since *The Forest* began as a workshop and is now due to tour Munich and New York, one might view the Berlin premiere as a Bayreuthian work-in-progress, a test balloon to catch the direction of the wind. Thus, when the roadshow reaches the Brooklyn Academy of Music sometime later this year, my bet is that New Yorkers will catch an updated version of the Wilson/Byrne Gilgamesh.

Ronald Holloway

Vogler Quartet

WIGMORE HALL

It is always a pleasure to welcome a new string quartet of ripe promise and the young Vogler Quartet from East Berlin are certainly that. Two years ago, they won the Evian quartet competition (which boasts a distinguished roster of long-term successes); but they still pursue their studies with the rigorously-musical LaSalle Quartet, which argues serious good sense as well as proper modesty.

There were LaSalle traits to be discerned in their Wigmore concert on Saturday: a scrupulous balance of parts, smooth but tellingly sudden switches between dynamic levels, great care for long-range proportions. There were also purely individual gifts – each Vogler member evinces mature character beyond his technical prowess – and a rich collective sound, resinous and pungent.

All those virtues went into their performance of the first of Beethoven's op. 59 "Rasumovsky" quartets. The piece gives generous opportunities to every player, and each was eagerly seized. The quartet is led firmly by Tim Vogler but the second violin Frank Reinecke wields an equally assured line; Stefan Fehlandt is the full-voiced, forward viola and Stephan Forck's cello supplies singing tone as well as a secure foundation for the ensemble. It was unusually satisfying to hear this work rendered in such opulent colours, without compromising Beethoven's sinewy argument in any way.

Earlier, the quartet tackled Haydn – the E-flat quartet from his op. 64 – just as expertly. Perhaps the Presto finale could have done with a brighter "ping" in their address; something like that was missed in their steady, thoughtful account of Bartók's Sixth Quartet too.

Bartók often wants an aggressive glare, a hard bow-attack which isn't in the Vogler range yet. (Viennese performances of Stravinsky can sound similarly over-comfortable.)

However, if this team seems more at home so far with Classical certainties than with modern protests, that is surely where a string quartet should start and they are solidly rewarding to hear.

David Murray

Images de France season continues at the Barbican

The second part of the *Images de France* season continues at the Barbican from December 14 to January 29 with the largest ever British retrospective of Pierre Boulez, mounted by the BBC.

There will also be piano recitals by Cecile Ousset and a computer music project with composer Iannis Xenakis.

Sponsored by Eurotunnel, other events include a French literary weekend (January 13-15) and a French cinema season (January 5-29) covering the New Wave with some rare, early works from directors such as Godard, Truffaut, Chabrol, Varda, Bunuel, Rohmer, Resnais and Malle among others.

There will also be an exhibition of French textile sculpture, *Soft Art*.

Judi Dench joins National board

Dame Judi Dench has been appointed to the Board of the National Theatre. The appointment lasts for three years.

ARTS GUIDE

October 28-November 3

OPERA AND BALLET

London

Royal Ballet, Covent Garden. A new triple bill, with the creation of David Bintley's Trial of Prometheus (Tue, Wed). Other works in the bill are Bintley's Still Life at the Penguin Cafe and Ashton's Rhapsody. Also Ondine. (Oct 28, Nov 2), and a triple bill (Nov 2).

Vienna

State Opera. Le Nozze di Figaro, conducted by Ion Marin, with Gundula Janowitz. Fidelio, conducted by Erich Leinsdorf, with Gwyneth Jones, Gabriele Fontana, Robert Schunk. (51444, ext. 2660).

Volksoper. La Bohème, conducted by Ernst Maerzendorfer. Der Zigeunerbaron, conducted by Conrad Artmuller. Ein Walzertraum, conducted by Herbert Mogg. Die Zirkusprinzessin, conducted by Fabrizio Ventura. Der Mantel, conducted by Dietfried Bernet. Kiss me Kate conducted by Herbert Mogg. (51444, ext 2662).

Berlin

Deutsche Oper. Lucia Di Lammermoor has Angela Denning in the title role, Vasile Moldoveanu (Edgardo) and George Fortune (Enrico) and is conducted by Stefan Soltesz. Performances of Wagner's Siegfried and Die Walküre produced by Götz Friedrich. Die Zauberflöte rounds off the week. Götterdämmerung in Götz Friedrich's production has a strong cast led by Anne Evans, Eva Johansson, Ruthild Engert. Die Zauberflöte features Isolde Siebert. Fidelio has fine interpretations by Sabine Hass, Barbara Vogel, Lenos Carlson, Spas Wenkoff, Gerd Felhoff and Viktor von Halem. Die lustigen Weiber von Windsor has Lucy Peacock, Kaja Borris, Hans Franzen, Walton Gronroos and Rudiger Wohlers.

Hamburg

Staatsoper. Don Pasquale is well sung by Helen Kwon, Paolo Montarsolo and Kurt Streit. Faust's Verdammis has a star cast led by Dolores Ziegler, Keith Lewis, Franz Grundheber and Harald Stamm. La Traviata convinces thanks to Julia Varady, brilliant in the title role.

Cologne

Opera. Turandot is respectable with Olivia Stapp in the title role, Hubert Mohler (Altoum), Dieter Schweikart (Timur) and Juan Lloveras (Kalaf). Rigoletto returns with Wasalli Janulako. Der Italienerin in Algier brings together John Del Carlo, Daria Brooks and Tone Kruse. Rigoletto has Yuuri Vamos in the title role, Juan Lloveras (Herzog) and Alida Ferrarini (Gilda). Ein Sommernachtstraum is sung by Andrew Dalton, Daria Brooks, Dieter Schweikart and Francesco Vergara.

Bonn

Opera. Semiramide in Luigi Pizzi's production stars Cheryl Studer, Kathleen Kuhlmann, Jean-Philippe Lafont and Guiseppe Morino. Der Knusaknacker hasits premiere this week. It is choreographed by Youri Vamos and stars Marc Wenke, Massimo Acri, Joyce Cuoco, Gyorgy Szakaly, and Anna Vita in the solo parts. Last performance of Semiramide stars Cheryl Studer, Kathleen Kuhlmann, Jean-Philippe Lafont and Guiseppe Morino. Norma is revived with a new cast led by Rosalind Plowright in the title role, Rosalind Quivar (Adalgisa) and Lando Bartolini (Pollione). A benefit Opera Gala rounds off the week.

Stuttgart

Staatsoper. Einstein on the Beach by Philip Glass and produced by Achim Freyer is an opera with a strong combination of pictures and music. The rarely played operetta, Der Karottenkonig, has Elke Estlinbaum, Urszula Koszut, Ruth-Margret Putz, Jorn-W. Wilsing and Harold Kranse in the main parts. Tannhäuser closes the week.

Frankfurt

Opera. Der Wildschütz is sung by Julie Kaufmann, Ilse Gramatzki and William Workman. Rigoletto, the first new production of the season, is produced by Jean-Claude Auvray and sung by Anne Dawson, John Bawnley, Franco Farina and Manfred Schenk. Dido und Aeneas has a strong cast led by Glenys Linos, Valentin Jar, Ulrike Sonntag, Marianne Rorholm and Graham Pushee. Also, William Forsythe's Impressing the Czar.

Amsterdam

The Nederlands Dans Theater, Muziektheater, with Tabula Rosa (Naharin/Part), a new ballet by Nacho Duato to music by Wagner, and Forgotten Land (Kylian/Britten) (Wed). The premiere of the Netherlands Opera co-production with the English National Opera of Mozart's Magic Flute (in German) directed by Nicholas Hytner. The Netherlands Philharmonic under Donald Runnicles, with Hans Peter Blockwitz, Dawn Upshaw, Petteri Salomaa, Amanda Halgrimson and Erich Knodt. (Thur) (255 455).

Florence

Teatro Comunale. Jonathan Miller's production of Wagner's Tristan und Isolde, with sets and costumes by David Hockney. Gustav Kuhn conducts a cast which includes Richard Versalle (Wolfgang Fassler (Tristan), Matthias Holle (King Mark), Lisbeth Balslev/ Ute Vinzing (Isolde), and Nadine Denize (Brangane). The production is sung in German with Italian surtitles. (Thur) (2779236)

New York

Metropolitan Opera, Opera House, Lincoln Center. James Levine conducts the premiere of Otto Schenk's production of Götterdämmerung, with Hildegard Behrens, Christa Ludwig and Matti Salminen. The week also includes Il Trovatore with Eva Marton and Giulio Cesare. (362 6000).

Chicago

Lyric Opera, Civic Opera House. William Johns sings Tannhäuser and Nadine Secunde is Elisabeth in Peter Sellars' new provocative production conducted by Ferdinand Leitner. Anna Tomowa-Sintow sings Violetta with Neil Rosenshein as Alfredo in Giulio Chazalettes's production of La Traviata, conducted by Bruno Bartoletti. (332 2244).

SALEROOM

Puss in Boots goes home

There was a rare happy ending in the salerooms yesterday when a Doulton panel, a nursery rhyme scene from Puss in Boots designed in 1902 by William Rowe for the children's ward of the old St Thomas's Hospital opposite the Houses of Parliament, was bought by an anonymous benefactor at Christie's South Kensington, who will return it to the new hospital on the site. There the 58 ins by 48 ins panel will join its companion piece. The price was £8,800, way above the £5,000 top estimate.

Christie's in King Street yesterday started an auction of Chinese works of art (it ends tomorrow). The main object in the morning session, a pair of massive cloisonne enamel and gilt copper censers and covers, 59.5 cm across, dating from the Qianlong period, were bought in at £38,000, accounting for the high 40 per cent unsold from a total of £194,216. Top price was the £17,600 paid by the London dealer Marchant for an album of sixty six Anglo Chinese paintings of the 19th century.

If the salerooms have discovered one thing in the past year it is that "names" sell, and the more outrageous the name the more extravagant the prices that buyers will pay. The collections of Warhol, Liberace and Elton John have all far exceeded expectations and last week and at Sotheby's in New York it was the turn of Claus Von Bulow to send shivers of amazement through the auction room.

Von Bulow was acquitted of attempting to murder his wife in some sensational trials in 1985. Now the contents of two of his homes have been dispersed, raising £6.53m ($11.5m), and with prices going through the roof. But unlike the other star sales Von Bulow consistently bought top quality antiques and there were dealers bidding for his 18th century British furnishings.

There was a record price of £500,000 paid for an English commode, in ormolu mounted rosewood, attributed to Pierre Langlois and made around 1765, while a pair of soup tureens by Paul Storr, dated 1822, tripled their estimate at £526,000.

Christie's first sale in Belfast, at the Castle, at the week end, produced one staggering price – £176,000 for "The Bridge" by John Luke. This colourfully pastoral work of 1936 had carried a top estimate of £15,000, and provides yet more evidence that the boom in 20th century British art still has plenty of steam in it. Last week, at Lawrence of Crewkerne, a portrait of a young girl by Philip Wilson Steer, sold for a record £134,200.

Antony Thorncroft

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The declining science base

BRITAIN is a peculiar country. Real gross domestic product has increased by about a quarter since the start of the decade and the Chancellor is striving to slow the momentum of growth. The nation's schools and industries are *widely* acknowledged to be desperately short of highly qualified scientists. Yet reviews by the University Grants Committee, published yesterday, recommend the closure of physics and chemistry departments in 15-20 of the country's universities. The eminent scientists on the review bodies are not arguing for cuts as such but say that resources of manpower and money are insufficient for all UK universities to sustain individual physics and chemistry departments; large-scale rationalisation is therefore inevitable.

This seems an extraordinary conclusion. Britain has an *abnormally small further education* sector compared with most other developed countries. The numbers opting for physics and chemistry are depressingly low. The chemistry review estimates that well under a tenth of school-leavers qualified to read chemistry actually do so; an even smaller proportion of A level physics students stick with the discipline at university level. The low prestige of the sciences contrasts strikingly with the buoyancy of demand for business, law and economics courses.

Deep concern

Both reviews express deep concern about the shortage of adequately qualified school science teachers. The physics review says that physics teaching has reached a "disastrous" level. It points out that almost half of the time-tabled physics tuition in state schools is provided by teachers inadequately prepared for the task. The situation in chemistry is equally dire. The chemistry review notes that the number of chemistry graduates undertaking teacher training fell by more than 50 per cent between 1983 and 1986.

The decline of school science is partially a reflection of the *decline of university science in* the 1980s. Between 1980/81 and 1986/87, the number of full-time physics lecturers and profes*sors fell by 19 per cent; the* number of chemistry dons fell by 16 per cent. Both disciplines are now concerned about the unbalanced age structure of university staff. The freeze on hiring of young lecturers combined with incentives for early *retirement* has resulted in a concentration of staff aged 35-55.

The review bodies are not arguing that the closure of 15-20 physics and chemistry departments would be a good thing in itself; they are saying that it is the only rational option given the past erosion of faculties and the present constraints on resources. Departments, they claim, require the equivalent of 200 full-time students and 20 full-time staff to be viable: smaller units cannot offer students the range of options necessary in a single honours degree course nor can they raise sufficient cash from *research to meet government* financial targets.

Research earnings

This "big is beautiful" conclusion is what might be expected from producer-dominated committees: groups of scientists who almost exclusively represent big departments or big companies. Yet six of the 15 top university departments in terms of research earnings are inefficiently small as judged by these artificial size criteria. Economies of scale are often exaggerated in business; the same is likely to be true in the academic world. Ideally, the future of departments would be determined, not by the recommendations of a central committee, but by variations in the demand for courses expressed by students.

Even more questionable, however, was the Government's *decision to embark on a* review of university science without allowing for the possibility that the present invest*ment of resources might be too* little. All universities could afford to offer physics and chemistry in the 1960s and 1970s – *why should this sud*denly become impractical in the 1980s when GDP is so much higher? Most countries accept that, as wealth and income rise, investment in education and research is likely to increase more than proportionately to GDP.

Hidden issues in Israel's election

THE STRIKING thing about today's Israeli general election is how little has changed during the campaign. This was the election that Palestinian unrest was supposed to have turned into a referendum on the future of the occupied West Bank and Gaza Strip. Yet the campaign has been dominated by a lacklustre debate about Israeli security and the result may well be influenced by instant reactions to an individual act of violence – Sunday night's attack on a civilian bus in which four Israelis including three young children died.

Until the petrol bombing, the opinion polls remained stuck broadly where they were when the campaign began, showing an almost exact symmetry between the groupings of left and right and little to choose between the two main parties, Likud and Labour. Neither side has come up with arguments or policies to tip the balance in its favour.

Sunday's attack could well marginally strengthen support for the right in its contention that tougher action needs to be taken to quell the Palestinian uprising. It should not, however, be allowed to obscure the overriding message of the campaign, which is that Israeli politics have been gripped by paralysis over the future of the occupied territories. There is no prospect of a convincing majority in favour either of annexing them or of trying to achieve a negotiated withdrawal.

Loss of support

Even if it were to scrape together a Knesset majority, Labour is most unlikely to be strong enough to pursue peace negotiations with the required energy. Likud, pitching itself at the nationalist centre ground rather than the ultra-nationalist right, is content to maintain the status quo. To muddy the picture further, both Likud and Labour have been losing support to more extreme parties of the right and left. The result is likely to be continuing instability in government and more drift in policy.

In part, the deadlock can be blamed on Israel's electoral system, which allows a party into the Knesset (Parliament) with only 1 per cent of the national vote. But even the craziest of electoral regimes ought to be capable of producing decisions in the right circumstances. A more basic explanation for the current deadlock is that a significant proportion of the Israeli electorate is simply confused. Voters are uneasily aware of a dilemma over the territories; many realise that the uprising has exploded the assumptions which underpinned the occupation for more than 20 years.

State of siege

But they have not been presented with a full or coherent exposition of the costs of hang*ing on to the West Bank and* Gaza, or with what they would regard as a comfortable way of getting rid of them. In pleading the case for an international peace conference, Labour has failed to bring home the seriousness of Israel's problems.

The fact is that directly or indirectly, the occupation – and the state of siege in which Israel is forced to live as a result – affects virtually every facet of the country's life. The economy is registering no growth this year, partly as a result of the uprising. It is suffering from a dearth of investment, an antiquated structure and high inflation, while struggling to finance a defence burden well beyond the means of most countries of comparable size. As a result, Israel is increasingly dependent on American aid, now running at $3bn a year, at a time when its measures against Palestinians are weakening support for it in the US. Migration to Israel has come to a halt, and the state is not generating the jobs which would attract new citizens.

What is more, Israel's diplomatic room for manoeuvre has been severely reduced by the rapprochement between Washington and Moscow, which raises the prospect of concerted superpower pressure for a solution to the Arab-Israeli conflict.

While discussion of these issues has been almost wholly absent from the campaign which concludes today, they can only return in more acute form to haunt future elections.

Stefan Wagstyl on the implications of the race to explore superconductivity

Japan thinks its way to the top

Japan, long dismissed as an technological copycat, is poised to match the West in at least one vital area of science.

It has drawn level with Western countries in advances in superconductivity – a fast-growing field of research which might one day revolutionise the electrical and electronic industries.

The search for commercially viable superconductors is still in its infancy. But Japanese scientists have already *done enough to show they are no lon*ger intellectual laggards, incapable of original thought. For the first time since the golden age of Ancient China, the West is having to share scientific leadership with another culture.

Even if superconductors never find widespread commercial use, the advances made so far seem bound to affect relations with the US and Europe, raising thorny questions about the exchange of scientific secrets.

If the new materials do reach the market, the implications will be enormous. Sumitomo Electric, a pioneer in *the field, estimates that if supercon*ductors can be profitably put to everyday use the world market might be worth $36bn (£20bn) by the year 2000.

A report published earlier this year by the US Congress's Office of Technology Assessment says that in a wide spread of technologies from car design to optical fibres, Japan is already capable of taking a lead. "Only in science – in basic research – do Japan's capabilities remain in question. For the Japanese (superconductivity) presents an opportunity to show the world – and themselves – that they can be leaders there too."

Superconductors have been tantalising scientists since they were discovered in a Dutch university laboratory in 1911. They are special materials which conduct electricity without resistance when they are cooled to ultra-low temperatures. Unlike an ordinary wire, a superconducting wire does not heat up when it conducts electricity and wastes no energy. This could lead to cheaper power transmission and electric motors. It could also mean vastly *more powerful computers since one of* the biggest problems with existing machines is the prevention of overheating in closely-packed circuits.

Until two years ago, the widespread use of superconductors seemed an impossible dream. Only a small number of metals behaved like supercon*ductors – and only if they were* cooled to the temperature of highly expensive liquid helium, or 4 degrees Kelvin (deg K) above absolute zero. *These alloys are used mainly in large* magnets for scientific and medical scanners.

Then in 1986, two IBM scientists in Switzerland discovered an entirely new type of ceramic superconductor which worked at a temperature 30 deg K above absolute zero. An international race began, with scientists leap-frogging each other in devising materials which worked at higher and higher temperatures.

Japan made its mark almost immediately. The first significant advance on the IBM scientists' discovery was made by a US physicist, Mr Paul Chu, of Houston University, who took the superconductivity threshold up to 93 deg K – that is above the temperature of the cheap industrial coolant, liquid nitrogen. The second was a Japanese, Mr Hiroshi Maeda, of the National Research Institute for Metals, who early this year raised the critical temperature to 120 degrees by making a compound containing bismuth. This, in turn, paved the way for a third, US, discovery of a thallium-based superconductor which works at 123 degrees K and resembles the Japanese bismuth compound. "This is not a question of the Japanese catching up," says a US Government scientist in Tokyo. "This is a race."

Success is having an impact on Japanese science. It has long been a sore point in Japan that the country's reputation for original thought is low. Japanese have only won seven Nobel *prizes, some for work done overseas.*

One theory is that Japan's hide-bound universities are to blame. Researchers are tightly supervised by their professors. Dr Susumu Tonegawa, who was awarded last year's Nobel Prize for Medicine for research done in the US, said he could never have won the honour if he had stayed in Japan.

Another belief, widespread in Japan and abroad, is that Japanese culture with its emphasis on uniformity is fundamentally unable to foster individual creative thought. A leading Japanese businessman was quoted recently as saying: "Our social envi*ronment, the personality and the* character of our people and institutions is to constantly improve on a process, say from a 16K RAM (memory chip) to a 64K RAM to the 256K RAM. But to develop a whole new technology, to get on the leading edge, you have to look to American firms. It's a cultural thing."

The counter-argument is that progress in scientific research depends as much on a nation's bank balance as on its brains. As a late-comer in economic development, Japan has only recently been able to afford the luxury of pure research.

Professor Shoji Tanaka, doyen of Japanese scientists and head of a new national superconductor laboratory, says that in historical terms Japan has adopted the Western scientific tradition quite quickly. "We have had 1000 years of Chinese culture and only 100 years of Western."

The scale and nature of Japan's effort in superconductors sets it apart from other countries. According to the US National Science Foundation, Japan is spending $258m on supercon*ductor research this year – the same* as America, an economy twice the size. Superconductors are relatively more important in Japanese scientific research *than in the US or anywhere* else.

To some extent, this reflects the relative weakness of Japanese

For the first time since the golden age of Ancient China, the West is having to share scientific leadership of the world

research in other fields, including, for example, biotechnology and atomic physics. Professor Tanaka says there are only a few universities in Japan which compare with the top 20 or 30 in the US in scientific research.

But there is no disguising the fact that Japan is deliberately concentrating on superconductivity because it believes in its commercial potential. Japanese companies are the driving force behind superconductor research.

In the case of some past technologies, the Ministry for Trade and International Industry has had to cajole companies into undertaking basic research – notably in the case of semiconductors. But industry has needed no encouragement in superconductivity. Some 55 per cent of the national superconductivity budget is being funded by the private sector, against 38 per cent in the US, according to US Government data.

The US's Office of Technology Assessment says this is a measure of the willingness of Japanese companies to think long-term, in contrast to the short-term profit-conscious thinking of US groups. In other words, the same long-term approach which Japanese companies have applied to investments in production and winning market share is now being applied to scientific research.

Japanese faith in technology as the key to continuing prosperity is very strong. It shows itself in everything from the numbers attending technology exhibitions around the country to the speed with which the latest consumer electronics devices capture markets.

The evidence is there at NEC, the electronics combine. Superconductivity is the biggest single project at the company's fundamental research laboratories, with about 30 researchers. This is about treble the number working on, for example, 64 megabyte memories – microchips which can be reasonably expected to come into production within 10 years.

Sumitomo Electric has pencilled in a potential market of vast proportions. Superconductors working at the temperature of liquid nitrogen – that is within the range already achieved in the laboratory – could have a market of $3.6bn by the year 2000. The market for the ultimate device, the room-temperature superconductor, could be 10 times greater.

Japanese researchers do not underestimate the difficulties of superconductors. The new ceramic materials are brittle, they can conduct only small electric currents, and they are easily upset by magnetic fields. Moreover, no one actually knows how ceramic superconductors work. There is no guarantee that they will ever be more than a laboratory curiosity.

As a late-comer in economic development, Japan has only recently been able to afford the luxury of pure research.

Nevertheless, Japanese teams have mapped out possible applications in some detail. According to Nikkei Industry Research Institute, a private body, the largest potential market is in transport. Japan has already built an experimental magnetic levitation train in which traditional metal superconducting materials are used. The use of high temperature ceramic superconductors could greatly reduce the cost and so extend the potential market.

The next most important potential market could be superconductors used for energy storage – like giant batteries. This would cut power transmission costs, since power stations could be run at a constant rate instead of fluctuating by the hour in response to demand. For this reason, Sumitomo Electric and Furukawa Electric, Japan's two largest copper wire makers, are among the leaders in research concentrating on raising the amount of current the delicate ceramic materials can carry and how much of a magnetic field they will tolerate.

However, perhaps the most intriguing possibility is the use of superconductors in computing. The idea is not new.

Scientists have tried since the 1960s to devise a computer which used so-called Josephson junctions, electronic on-off switches made of conventional metal superconductors. In principle, such switches should be ultra-fast since the superconductor itself (unlike a semiconductor) absorbs no current.

In practice, the technical difficulties were so great that in the early 1980s leading US companies, including IBM, scaled down or abandoned research into Josephson junctions. But the Japanese, supported by government money, persisted.

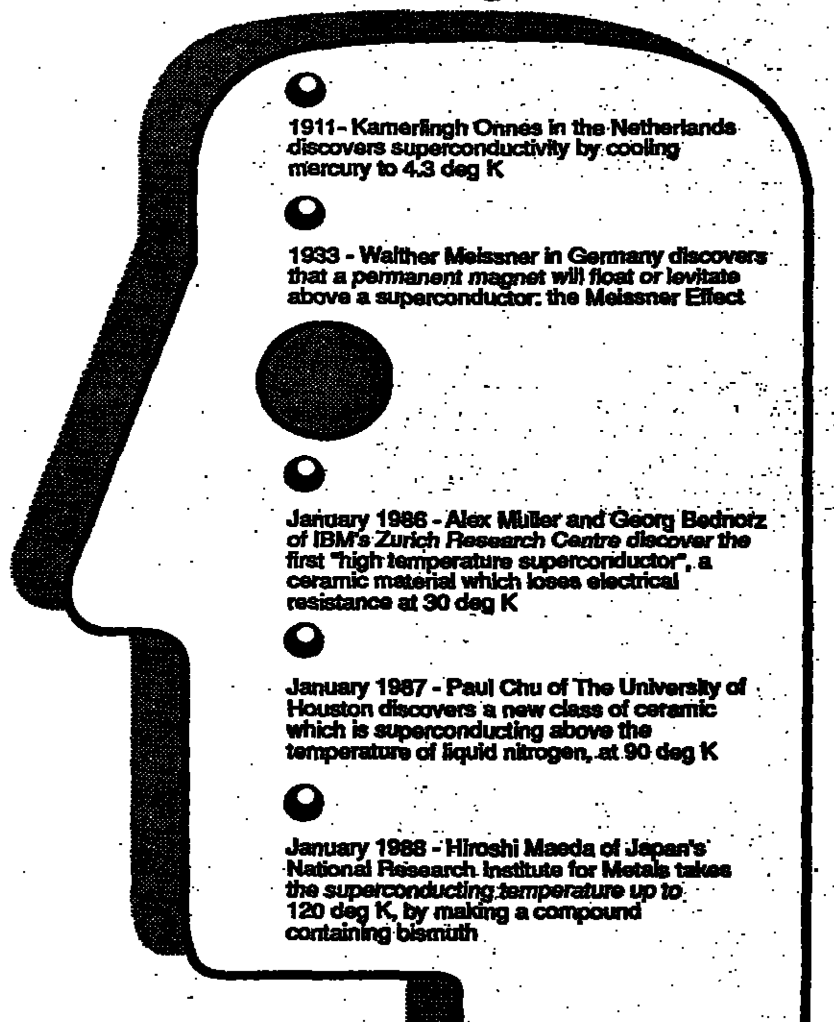
NEC is now within reach of its goal of making a simple Josephson junction-based computer by 1990, an experimental not a commercial machine. The company has no idea whether high-temperature ceramic superconducting materials can be used instead of metals. But Dr Fujio Saito, head of the fundamental research laboratory, *says the company* has to research this field too since fast-switching technology could be crucial to the future of the computer and *telecommunications industry.*

IBM has not said whether it has resumed the research it previously abandoned. Japanese companies rate the American giant's research skills above their own. It could be that IBM will be proved right in judging that alternative technologies, including optics, were more promising.

This summer researchers at Toshiba, another Japanese electronic company, invented a different sort of high-speed switch, called a tunnel junction. This has two thin films of *superconducting material, separated* by an insulator. According to Toshiba scientists, it is ten times faster than the conventional semiconductor switches used in *today's computers.* Toshiba's achievement was made possible by the speed with which the company set teams of researchers to work developing ways to lay down the new superconducting materials in extremely thin layers.

The commercial potential of high temperature superconductors may be years from being realised, but researchers are already getting nervous. US and Japanese companies have accused each other of keeping their most promising ideas secret. American scientists have complained that they can visit Japanese government laboratories but not corporate research centres. The Japanese have hit back with charges that the US continues to poach the best Japanese scientists.

Professor Tanaka, a veteran of *semiconductor research, knows the* bitter rows which have blown up over access to microchip technology. He says: "It would be a disaster if the same happened in superconductors."



Superconductivity: 5 key discoveries

OBSERVER

Dame of the Brummies

■ "Everyone tells me that if you can take about 50 rebels from your own governing party with you, the Government of the day will change its mind."

So says Dame Jill Knight, the Tory MP for Birmingham, Edgbaston, who is leading the revolt in today's House of Commons debate against the Government's plans to impose charges for eye tests and dental check-ups. "I am not a natural rebel," she adds.

Indeed she is not. She is Tory through and through, and very much on the right wing of the party. But she is very independent. Like the Prime Minister, she wanted to be an actress and, unlike her leader, she became one. Just after she was married, she had the chance to play opposite Trevor Howard. Knight turned it down because, she says, marriage was a turning point in her life and in the long run she had always wanted to go into politics.

She stood for Northampton in 1959 and 1964 before winning the Birmingham seat in 1966. Edgbaston is a pretty affluent part of England's second city. In the last general election Knight polled 49.8 per cent of the vote.

The reference books say that her late husband was an optician. Knight corrects them: "He was an optometrist." That is, someone who specialises in measuring the refractive power of the eye and thus tests long and short-sightedness. But she admits that being married to him means she knows about the subject.

Rebellions against health charges have been part of the British political scene ever since Aneurin Bevan and the young Harold Wilson resigned from the Labour Government in 1951. Knight denies that she is part of that tradition. "There is a big difference," she says, "between introducing National Health Service charges in general and bringing in charges for tests. Charges for tests would be a retrograde step."

She said yesterday that none of her potential supporters had said that they would desert her, so she might get her 50. But you never can tell.

With interest

■ Despite the fact that he is currently awaiting trial on bribery charges, Ronald Li, the former Hong Kong Stock Exchange chairman, has clearly retained his eye for an investment opportunity.

Li's latest venture involves his bail money, HK$5m of which has up to now been lying around doing nothing except presumably earning interest on behalf of the Hong Kong Government. No longer: at a hearing in chambers at the High Court yesterday Li had his request granted to have the money transferred to an interest-bearing account in his name. Since the trial is not scheduled to start until March 29, and may last for several months, he can look forward a reasonable return on capital.

Serious money

■ John Nicholson says that he is a quite a serious man; what he is doing only sounds pretentious. Nicholson likes to be known as a specialist in management psychology. Financially, he has landed on his feet. His company, John Nicholson Associates Ltd, has just bought by the Michael Peters Group, which specialises in design. Nicholson gets a golden hello of £110,000 and may get up to an extra £4m over the next eight years.

"This gentleman's interested in purchasing a nuclear-powered greenhouse."

Almost as much as he might have received if he had become a rock musician, which he very nearly did. Nicholson read politics, philosophy and psychology at University College, Oxford, but became a kind of honorary Balliol man because the Balliol Players - a group that toured minor English public schools in the summer with a loose English version of Aristophanes – always had to import a pianist. Nicholson played the piano while Chris Patten, now the Minister for Overseas Development, played Queen Victoria and Edward Mortimer, now of the Financial Times, was Disraeli. He also ran a rock group called The Blue Monks and their Dirty Habits and married (for a time) Mortimer's sister, Kate.

Success in industrial psychology came when he was called into Jaguar at the low point of the company's fortunes in 1982 and helped Sir John Egan turn it round. Since then he has gone from strength to strength. Other clients include Mercedes-Benz, Volvo and IBM.

Straight nudes

■ Calendars are associated with success, at least according to Pirelli. The company used to be famous for them, dropped them, then re-introduced them five years ago when the business was in financial difficulties. Since then fortunes have improved. The 1989 version came out yesterday with the emphasis on the beauty of nudity (photographs by Joyce Tenneson) rather than sex. There remains a slight problem of where to put it.

Woman's job

■ The first information officer to be appointed by the Securities and Investments Board was Barbara Conway, who was recruited from the Daily Telegraph where she wrote a weekly column, Scrutineer, about financial scandals. In the constant company of her not very likeable dog at the SIB, she continued her pursuit of some of her Scrutineer targets. She left to join the BBC's financial reporting unit a month ago.

Conway is succeeded by Colette Bowe, who also knows a bit about intrigue. She was the principal information officer at the DTI during the Westland affair.

Cooking it up

■ An unemployment benefit claimant from Liverpool gave an unusual reason why a dole claim had been delayed, which even the CPSA civil servants' union describes as a "cooked-up excuse": "I moved into my house and put the keys in the oven for safekeeping, and then couldn't remember where I'd put them. So I couldn't leave the house until Wednesday."

LETTERS

UGC and R&D cuts are a blow to British science

From Mr Lawrence Cockcroft.

Sir, The recommendation by a special group within the University Grants Committee (UGC), that up to half of the UK university physics and chemistry departments should be closed or amalgamated, seems to be yet another body blow to British science.

The compensating UGC claim that it does not wish to cut the overall effort devoted to these subjects, but would "recommend that an extra £30m be spent on remaining departments", is indeed a hostage to fortune.

The objective is, in fact, a by-product of the Government's attitude to scientific education and research, which contradicts completely the priority given to increasing Britain's international competitiveness.

The significance of the UGC's recommendation becomes even more serious when linked to the announced reduction in total Government-assisted basic research in these and related areas.

The 1988 annual review of research and development, published by the Cabinet Office, projects a fall in expenditure in 1989-1990 (in real terms) by the Science and Engineering Research Council (SERC), from £296.3m in 1989-1990 to £292.3m in 1990-1991; and by the Medical Research Council (MRC) from £136.6m to £135.8m.

Incredibly, it envisages a fall in the number of research staff "with degree or equivalent" from 1076 to 1057 between 1988-89 for the SERC, and from 1545 to 1522 for the MRC.

One of the much vaunted objectives of the Government's science policy is that an increasing proportion of university R&D work should be funded by industry. The report confirms that the evidence on this is ambivalent, but makes it clear that such an increase in funding by large companies (employing over two hundred people) has not occurred.

According to the Cabinet Office, the primary aim of the SERC is "to maintain and enhance the research capability of the UK higher education section in all areas of pure and applied research engineering"; and the primary aim of the MRC is "the generation of knowledge that will improve health." Yet the MRC reports a serious shortage of high quality post-doctoral researchers: ". . . it is now becoming increasingly difficult to attract high calibre post-doctoral scientists in a wide range of scientific fields . . there is growing evidence that there are declining numbers of postgraduates turning to scientific research as a career."

In fact the MRC is in the centre of a vicious circle: its underfunding has led to a situation where it cannot necessarily finance research proposals it grades as "alpha" – and its ability to do this is projected to decline rather than to increase. There will now be a smaller number of university departments able to trawl for real ability.

The Prime Minister is apparently keen on high technology as a means to improve the UK's competitive edge in every possible field. When she came to power, few could doubt that basic scientific research was one such area. On present trends, this is one resource which will certainly have diminished while she has been in office.

One can only conclude that there remains in the Prime Minister and her colleagues a deep, difficult-to-understand bias against real science. Would she, for instance, have cut back expenditure by Lord Rutherford's team at the Cavendish Laboratory in Cambridge in the early 1930s on the grounds – supported by Rutherford himself at the time – that understanding the nature of the atom was unlikely to have any commercial application?

Laurence Cockcroft
101 Riversdale Rd,
London N5

Initiative is not restricted to graduates and those with A levels

From Mr Ian Herbertson.

Sir, Michael Prowse displays a lack of balance in his Lombard piece about A-levels (October 17). He assumes too much for the education system to do.

His example of the brilliant linguist who ends up poorly educated by virtue of knowing little mathematics illustrates a common weakness nowadays – lack of initiative. This person could easily have taken steps to study subjects outside his main field. Many graduates with degrees in classics or English proceed to become qualified as accountants or computer specialists.

Furthermore, the display of such initiative is not restricted to graduates and those successful at A-level. There are plenty of able people, poorly educated by virtue of GCSE passes, who take diploma and other qualifications, or simply follow courses to train them in skills they lack.

Initiative in these areas is something industry and commerce should be fostering.

Ian Herbertson
101 Elgin Avenue,
Maida Vale, W9

General studies add to A-levels

From Mr D.C.T. Roberts-Jones.

Sir, Michael Prowse speaks correctly (Lombard column, October 17) of the strain undergone by British children in taking "the most demanding school examinations in the world." But to combine generalisations with impertinence about the comparable ability of our 18 year olds is saddening.

He cites a lack of calculus as being essentially uneducated; a lack of social sciences leading to an intellectual crippling. Does he imagine that generations of investment bankers and others in the City who did not study mathematics at school after O-level are second-raters? Or that those who did not study simple calculus as part of an O level syllabus are intellectually deprived?

American and other students are in no way better prepared, through the wide range of their school courses, for the rigours of an undergraduate course. The reverse can often be true.

Most schools worth their salt provide a "general subjects" course for their A-level students. To drop the standards of A-level subjects would be ultimately self-defeating for Britain's primacy as a centre of university excellence.

This is especially so in light of the fact that many schools already provide this "generalist" course, revealing that what Mr Prowse is asking for is not really a broadening of the curriculum, but rather a return to the "lowest common-denominator" philosophy.

D.C.T. Roberts-Jones,
29 Sekforde Street, EC1.

Confidence lost in London Life

From Mr Martin Copley.

Sir, The president of London Life, Mr Dawson, misses the point (Letters, October 27). The board of London Life seem to have bungled the management of this well-respected, long established life office, and confidence has been lost. The shambolic meeting last week, and the lack of information on the options available, merely confirm the point. The proxy votes might have cast theirs differently had they witnessed the devastating display of incompetence at the EGM.

The root of the problem is surely twofold. It lies not just in London Life's management, but in being answerable to policyholders (with a maximum of 25 votes each), rather than to shareholders. How can an individual policyholder afford to circularise 68,000 policyholders and lobby sufficient support for a resolution to be included on the agenda of an EGM? There is also the well-known inability of mutuals to raise capital for expansion. Had London Life been a quoted company, both problems would have been solved long ago.

In fact it seems that little consideration has been given to "de-mutualising"; but since it is clearly possible for London Life's business to be transferred to Australian Mutual Provident, it must equally well be capable of being transferred to a new holding company whose shareholders would be current policyholders.

Martin Copley
Saxon Court
Mansel Road, SW19

Species which deserve protection

From Mr J. Dennis Henry.

Sir, You published my letter (June 6), "Is Rowntree the first swallow of a bad summer for the rest of the UK", in which I pointed out that Scotland had lost control of 53 per cent of its publicly quoted companies (outside the financial, property and oil sectors) during 1985 and 1986.

If the acquisition of Scottish and Newcastle (S&N) proceeds, the loss of such companies to Scotland since 1985 will rise to 67 per cent.

It will also further erode the quality of company we still have, because S&N's performance is not only above the average for Scotland, but is in the top third of the leading UK industrial and commercial companies. On growth it is above the average for Scottish and large UK companies. It is the kind of company necessary for any stable and successful economy.

This potential loss to Scotland of 67 per cent of over four years is more than any economy should have to stand. If it had happened to the City of London there would have been an uproar.

While we cannot put a ring fence round Scottish industry, it seems that our grouse, salmon and deer are more effectively protected from human predators than our industries.

Surely some controls are justified, along the lines of the laws which enable game to be taken, but ensuring that this is done in a manner appropriate to the long term preservation of the species. Cannot the Mergers and Monopolies Commission develop and use similar "gamekeeping" laws? Perhaps we should take advice from the Countryside Commission.

J. Dennis Henry,
J.M Inbucon,
127 St Vincent Street,
Glasgow, Scotland.

'Many of us have our anxieties about "fortress Europe" after 1992'

From Mr Bryan Cassidy MEP.

Sir, In your editorial "The European Community opts for sanity" (October 26) you note that "The European Commission's decisions last week on the external dimension of the single market programme are a small victory for sanity".

I suppose that we must be thankful for "small" mercies. Many of us in the European Parliament still have our anxieties about "fortress Europe" after 1992. There are protectionists at work in the European Commission, and the concessions made on banking may only be minor in the overall scheme of things.

The Commission has still not made a wholehearted rejection of "fortress Europe" referred to by Mrs Thatcher in her Bruges speech. Until it does, the Community's trading partners – the European Free Trade Association (EFTA), Japan, the US – will be justified in their continuing suspicions about the future of free trade.

Bryan Cassidy,
The Stables,
White Cliff Gardens,
Blandford, Dorset.

From Mr Henry Marty-Gauquié.

Sir, I was surprised to read in your paper – one of good renown and well informed – Observer's paragraph about an alleged "French push" (September 15).

As one of the "Eurocrats" pin-pointed, I would like to make a stand against the polemical tone and its final insinuation. The making and the distribution of this car bumper sticker (carrying the European Community's 12-star emblem and the text: "Je construis l'Europe, je roule européen") result from an entirely private initiative, and it has been privately financed (actually by Mr Patrick Everard, a Belgian EC official, whose base is Luxembourg).

The aim of this initiative is to promote the buying of European cars (French ones among them, but not exclusively), particularly when it is known that some of our colleagues buy Japanese cars.

Indeed, during the past weeks Mr Everard got in touch with the main EC car manufacturers to propose that every new car built in an EC factory would be delivered to the EC customer bearing this label. Surprisingly enough, Mr Everard received answers from most of the manufacturers – except the British.

I should be grateful if you would inform your readers of this. Finally I would like to add that the cars bearing this sticker in Luxembourg are certainly not all French, but have a wide range of origins (including even Saab which, as you know, is Swedish).

H. Marty-Gauquié,
94 Rue des Champs,
L-8053 Bertrange,
Grand Duchy of Luxembourg.

From Mr B.C. Stevens.

Sir, Congratulations on your excellent summary (October 17) of the issues surrounding the draft European company statute. As your correspondent *rightly says, this is only the* start of a much wider battle about workers' rights.

The Government has made clear its opposition to any form of legislation on employee participation. *In doing so, it may* be encouraging an over-reaction by industry against any proposals from Brussels. This could create, in turn, a knock-on effect, damaging the commercial potential to UK companies of 1992.

Much has changed since the heated debates of the 1970s, both in the EC proposals and in UK employee relations. Many managers and trade unionists believe deeply that employee involvement is best achieved by voluntary means; *but many also recognise the* need for a social/economic balance, and would be prepared to discuss a firmer framework of good practice.

It is important to examine objectively the options on offer, so as to influence the eventual outcome in a way that does not interfere with the good relations already established in well-managed companies.

B.C. Stevens,
Industrial Participation Association,
85 Tooley Street, SE1

From Mr William Elland.

Sir, May I add a comment to the reaction to the Elders bid for Scottish and Newcastle described by Mr Buxton (October 24)?

In 1967 the case of Brasserie de Haecht (No 1) the European Court of Justice had to consider the compatibility with EC law of a beer and drink tie agreement in the case of a Belgian café. *It ruled that such* tied purchasing agreements did not of their nature necessarily contravene the Treaty of Rome, but held that they could possibly do so in the context of *a network of tie agreements.*

In order to preclude the potential application of Article 85(1), and the consequential illegality of beer ties throughout the European Community, *a specific block exemption was* provided in Regulation 1984/83.

However, by Article 14:

"The Commission may withdraw the benefit of this regulation . . .when it finds in a particular case that an agreement . . .has certain effects which are incompatible with the condition set out in Article 85(3) of the Treaty (which provides for exemption on a case by case basis) "and in particular where:

(a) the contract goods are not subject, *in a substantial part of the common market, to effective* competition from identical goods or goods considered by users as equivalent in view of their characteristics, price and intended use;

(b) access by other suppliers to the different stages of distribution in a substantial part of the common market is made difficult to a significant extent."

In the light of this power, I wonder if there will be yet further reaction – from Brussels?

William Elland,
Francis Taylor Building,
Temple, EC4

From Mr R. Browne-Clayton.

Sir, The article on harmonisation of time with Europe (October 22) was strongly biased *against the construction* industry. Little was made of the chaos and extra costs such a change would bring about.

The building industry is a key indicator of the state of the national economy, with a turnover last year of some £35bn. Estimates of the extra costs that would be incurred by harmonising with Europe are a minimum of £1bn – not help*ful to the Chancellor in his* fight against inflation.

Other points that your correspondent failed to mention are that there are likely to be upwards of an extra 2m commuters *on the road during* rush hour, besides lorries carrying materials around the UK.

For these prime reasons, the constructing industry remains wholly opposed to this unnecessary harmonisation measure.

R Browne-Clayton,
Building Employers Confederation,
82 New Cavendish Street, W1

Hazel Duffy reports on the CBI's efforts to spread the EC message

Preparing Britain for 1992

As 1992 – the target date for the completion of the single European market – approaches, British businessmen could be forgiven for feeling overwhelmed by the volume of printed and televised exhortation. The scheme launched yesterday by the Confederation of British Industry is the most elaborate attempt yet to prepare British businesses for the event. It consists of a series of 10 seminars on specialist subjects related to 1992, each to be held in 13 regions of the UK, starting next January. The seminars will be presented by senior people in 10 companies and consultancies – participants as varied as Hill Samuel, Price Waterhouse, Rank Xerox, TNT Express and Blue Arrow. They will be backed by reference books and a follow-up telephone service.

What, if anything, has your company done to prepare for 1992?

Reorganise own company	9	(5%)
Appointed an executive responsible for 1992	13	(7%)
Carried out a strategy review	39	(20%)
Introduced an in-house training scheme	7	(4%)
Attended seminars/courses	24	(12%)
Introduced language training	13	(7%)
Undertaken market research	20	(10%)
Look at acquisitions/joint ventures	12	(6%)
Opened manufacturing operations	1	(1%)
Opened sales office/offices	5	(3%)
Appointed sales agent/agents	7	(4%)
Nothing	61	(31%)
Specified other	50	(25%)

Source: CBI survey of 200 companies

British business had a lot of catching up to do when the UK joined the Common Market in 1973. Between 1973 and 1989, the share of the Community in UK exports increased from 33 *per cent to 50 per cent. But, the* Government says, this does not signify any scope for complacency. Hence the importance of 1992 as a date on which to focus business's attention. Euro-enthusiasts believe it will be as important a landmark for the UK as 1973.

British companies generally look fairly well-placed to benefit from the single market, according to a study published earlier this year by the Royal Institute of International Affairs*. "The evidence to hand suggests that there is good reason for broad optimism," say the authors, "especially given the moves already in hand to stimulate competition within the UK." In some key sectors, like motor vehicles, paper and publishing, where there are relatively few barriers to companies' intra-European trade, most companies already operate on a European scale.

The study argued that low-tech products currently find few barriers to trade, but that there are considerable distortions through state aids and protection. Mature, medium-tech goods encountered problems of access to other Community markets, especially with *standards, regulations* and testing. High-tech goods meet similar access problems, plus distortions of competition due to procurement, state aids, public monopolies, and so on. *Pharmaceuticals, chemicals,* metals, food and drink, aerospace and computers are all cited as having a high incidence of barriers, although this may not mean that the barriers *are significant.*

These are the areas where Britain could benefit as barriers and distortions are abolished. In services, the authors identified insurance as a sector *which probably offered more* scope to Britain than banking. Companies must realise, of course, that removing these barriers will make their competitors on the Continent look more closely at the British market.

In April the Prime Minister launched a lavish 1992 information campaign, at a cost in the year ending April 1989 of £11m (£8.5m on advertising). Its aim, in the first instance, was to make business aware of the 1992 date. In Whitehall, this part of the campaign has been judged a success, as measured by the requests for further information. The Department of Trade and Industry (DTI) believes that Britain is now better informed about the *implications of the single mar*ket for business than other EC countries – even France, where taxi drivers impressed visiting British businessmen a year or so ago by their eager*ness to talk about 1992.*

The DTI next produced 32 fact sheets which include information on items such as technical standards in the EC, company law, competition policy, language skills, and a checklist for companies to make them think whether they are doing enough.

Not much practical action has yet been triggered. A telephone survey of 200 manufacturing and service companies around the country conducted last month for the organisers of the CBI scheme revealed that even among companies expecting to be affected by 1992, only 6 per cent had reorganised their company in response, 9 per cent had looked at acquisitions/joint ventures, 3 per cent had opened sales offices, while 18 per cent had done nothing at all.

The DTI will provide increasingly specific material as time goes on. For many businesses, it is likely to be enough. It is also free. The CBI scheme – which has a hefty, though subsidised, price-tag – is expected to score with those companies that want much more detailed information and the chance to follow up their own particular questions.

Mr John Banham, the CBI's director general, is increasingly following a policy of asking leading members of the organisation to head task forces on subjects on which the Government wants a private sector response.

Mr Alan Lewis, whom he asked last May to take the lead on 1992, has managed to secure the services and financial support of leading companies in their areas. Mr Banham *acknowledges that the in-house* resources of the CBI, financial and human, could not stretch so far.

The charge of £1,000 to CBI members, £1,500 to non-members, for a series of 10 seminars, reference books in each subject, and the chance to arrange follow-up meetings where the specific needs of the company can be addressed, reflects the considerable subsidy which has been stumped up by the founder members. Each has contributed a minimum of £100,000, to which has to be added the cost of keeping a senior team on the road. The scheme will carry the message nationwide, not concentrate on London and the south-east. The same high level of speakers is promised in all 13 regions, with a total of 130 seminars.

For the contributors, the incentive is the prestige of being part of a campaign blessed by the Government – a minister will address each seminar – and the prospect of follow-up business with companies.

For the CBI, it is an important step in demonstrating to ministers that it can provide *solutions. They will see it as a* welcome departure from the lobbying which is their more normal contact with the CBI.

* *Europe's Domestic Market, by Jacques Pelkmans and Alan Winters, Chatham House Papers 43, £5.75.*

The power of persuasion

Mr Alan Lewis, the head of the *CBI's 1992 campaign, is* somebody who can organise, cajole, and come up with the goods – as he did in persuading 10 companies and consultancies to join the campaign and bear *much of the cost.*

His wealth, which he estimates at "between £50m and £70m," began in the 1960s through property and financial deals. The watershed came *five years ago when the* Monopolies and Mergers Commission gave him the go-ahead to control *Illingworth Morris,* an ailing Yorkshire wool textile company.

"I had already made a lot of money," he says, but "it would have been very damaging" if *the investigation had gone* against him. He won the day – and has turned heavy losses into a pre-tax profit of £9.7m last year. Now, at 50, he is believed to want to bow out of *Illingworth Morris, to concen*trate on his financial interests.

FINANCIAL TIMES
Tuesday November 1 1988

Peking builds up its foreign assets

Peter Ellingsen looks at the growth in China's overseas investments

While the rest of the world – led by cash-rich Japan – queues for a stake in China's booming economy, Peking has been steadily directing its foreign reserves into investments abroad.

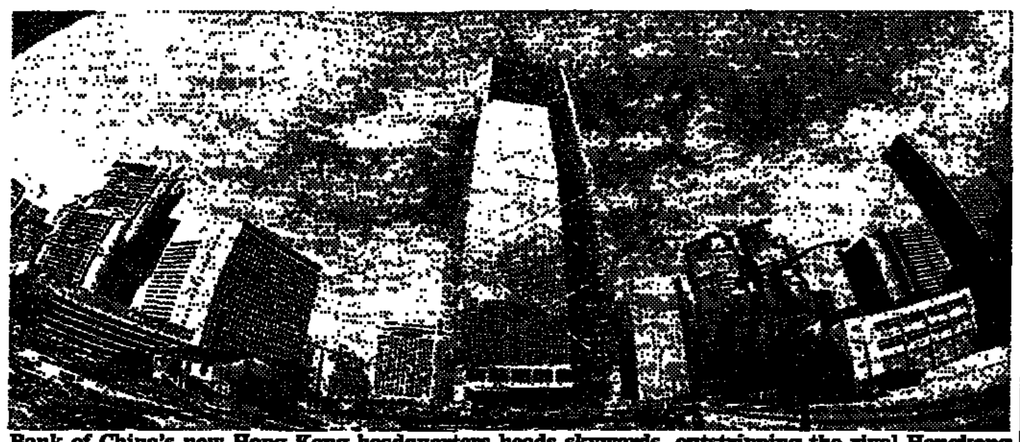
Although not as dramatic as the large loans and joint ventures sponsored by foreign companies and governments in China, overseas Chinese equity has now become a significant part of the country's long-term development strategy.

As with everything else, investments abroad are influenced by political considerations and the overriding need not to upset Peking's delicate reform programme. But within these constraints, China has been quietly establishing a pattern of financial interests overseas.

Not surprisingly, Peking's key trading partner, Hong Kong, has been the main recipient, collecting more than $1bn in investments in the nine years since China opened up to the outside world in 1979. In keeping with the impending return of the colony in 1997, China has directed the money into real estate projects that will provide both a safe return and a long-term utility.

China Travel Service and Yuexiu Enterprises, for example, have erected office buildings to house their staff, while China Resources, China Merchants Group and Guandong Enterprises have bought warehouses and shipping berths. Retail stores and commercial and residential accommodation have been prominent, although hotels (China now owns 3,000 hotel rooms) seem most popular.

Peking has made a symbolic as well as commercial gesture by investing in a multi-million-dollar 70-storey monolith for its Bank of China headquarters (a few feet taller than the Hong Kong and Shanghai Bank next door) on Hong Kong island. Predictably, China Nuclear Industry Corporation has the potentially lucrative contract to supply enriched uranium for Hong Kong's controversial Daya Bay power station.



Bank of China's new Hong Kong headquarters heads skywards, outstripping the rival Hongkong and Shangai Banking Corporation building (far left)

In all, China has formed more than 385 joint ventures overseas, contributing about $1.8bn to foreign projects. A quarter of these, with Chinese equity of $350m, were approved last year, mostly in the developing countries with which China has close political ties.

According to the Ministry of Foreign Economic Relations and Trade, the bias towards less-developed economies is deliberate and will continue, partly because of China's low level of technology. A ministry spokesman said China hoped the investment abroad would eventually lead to an upgrading of China's technical base, as well as boost the nation's ability to earn foreign exchange.

Peking now has joint ventures abroad with 67 countries, and is discussing investments with the Soviet Union and other countries within the Eastern bloc, and even nations with which its has no diplomatic relations, notably South Korea. The Seoul connection is interesting because, after years of hedging, Peking is now acknowledging a thriving bilateral trade.

Barter trade with the Soviet Union is well established along the northern Chinese border, and following a conference in Vladivostok in October, the possibility of Chinese investment in the resource-rich Soviet Far East now looks a certainty.

As relations have improved with Washington, China has been taking a gradually increasing interest and stake in US business. With bilateral trade at about $7.9bn, the US is now China's third largest trading partner, and in spite of what China sees as continuing unfair barriers to its imports, Peking has pushed ahead with joint ventures or exclusively Chinese-operated businesses in the US.

The biggest Chinese equity stake in a US company so far has been a 50 per cent holding by China National Chemicals Import and Export Corporation (Sinochem) in a Pacific refinery based on the west coast. The investment will not only allow China to export its petroleum to the US, but also to run an oil refining business and take part in marketing in the largest oil consuming region of the world.

Other projects have been predominantly in resource development, industrial and agricultural production, clothing, transport, banking and tourism.

As the prospect of the EC's unified market in 1992 looms large, China is also planning to expand its trade with Europe. Chinese analysts believe that a single European market will force European industries to move into high technology, thus creating opportunities for countries with labour-intensive advantages such as China.

While viewing Europe primarily as a growing market for exports, Peking is hopeful that investment opportunities will also arise. In Britain, China Merchants Group paid about £28m ($51m) to enter the UK insurance and offshore oil service businesses, and the Tianjin municipal government, in a joint venture with Montleigh, the British property group, bought 12 acres of London's Docklands for an estimated £38m.

But for further investment opportunities to be realised, China needs to improve its management and administration skills, a task that has led to a different sort of foreign investment.

Instead of shunting senior cadres off to brush up on Marxist theory as happened in Mao's time, Peking dispatched 50 high-level officials this year to executive training programmes at Harvard University and Massachusetts Institute of Technology.

Tuition and related expenses will come to about $7m. But in spite of the hesitant mood now obvious among reformers, that is an investment China is happy to make.

Three-week delay expected for Soviet shuttle

By Peter Marsh in London

THE LAUNCH of the first Soviet space shuttle, postponed on Saturday after a last-minute technical hitch, is likely to be delayed at least 20 days, a Soviet space official said yesterday.

The unmanned re-usable Buran (Snowstorm) shuttle, mounted piggy-back on Energia, the world's largest booster rocket, had been due to blast off from the Baikonur rocket centre in central Asia. It was to have completed two or three orbits before landing at a nearby runway.

The imminent launch of the Soviet shuttle, which recent official photographs have shown to be a remarkably close copy of the US space shuttle, will give the Soviet Union a new flexibility for its space endeavours – but one which it is likely to use only sparingly.

The high degree of similarity between the Soviet and US spaceships has astounded some observers. "The Soviet shuttle "could land at Edwards Air Force Base (one of the US's landing sites for its shuttles) and no one would spot the difference," said Mr Jim Oberg, a US authority on Soviet space programmes.

The US three-shuttle fleet has recently restarted flights after a break of nearly three years caused by the Challenger explosion in January 1986.

Assuming the first, unmanned, launch of the Soviet vehicle proceeds as planned, Western space experts think that it will take off – probably with a crew of three to five cosmonauts – no more than about twice a year.

The craft will be reserved, so space industry observers believe, for missions where it is imperative to fly relatively large numbers of people in reasonable comfort between the ground and Mir, the Soviet space station, and for bringing back heavy loads from orbit.

The great bulk of the Soviet Union's space missions, which take place at the rate of about 100 a year (far above the average for the US and other Western nations) will almost certainly continue to be left to orthodox expendable rockets.

Some experts believe the Soviet Union copied the shape and external features of the US shuttle with the simple aim of cutting the workload for designers.

The country is thought to have less sophisticated computers than the West for modelling the aerodynamic forces that act on a shuttle vehicle during its re-entry into the atmosphere, and which are important in determining the optimum shape of the craft.

Despite the similarity in appearance between the two, the propulsion methods are different. The three main engines in the US shuttle are fixed to the vehicle itself and can be re-used once the craft has landed. The Soviet system, however, employs four liquid-propellent engines which are part of the Energia booster system. These are destroyed as part of the lift-off sequence.

The big question for many space-industry analysts is exactly how the Soviet vehicle will add to the capabilities of the country's manned space programme which, in keeping people in orbit aboard Mir for more than nine months at a time, is steadily drawing ahead of the US effort.

Mr Dick Lewis, a respected US author on space matters who has followed the US shuttle programme since its inception, says the main job of the Soviet vehicle might be to act as a space "lifeboat". It could, he says, spend most of its time attached to Mir ready to bring the crew home at a moment's notice in the event of an accident.

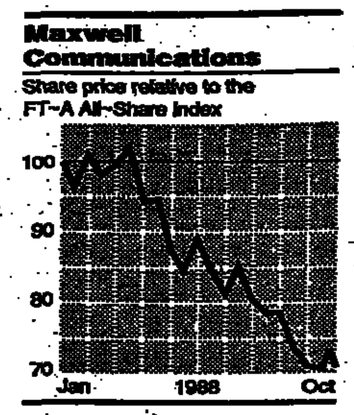
THE LEX COLUMN

The dollar gets its orders

The Fed and the Bank of Japan yesterday issued a clear enough warning to the market, and for once they may be taken seriously. A sharp fall in the dollar is the last thing either of them want before November 8, and the intervening period is short enough to make prevention a fairly easy matter. Yesterday's burst of dollar buying by the Fed was tantamount to declaring that Y125 is a floor, while the Bank of Japan's most aggressive move in six months shows that it means business, too. Faced with such firm resolve the foreign exchanges would be ill-advised to try anything on.

While the Central Banks may win this round, they are unlikely to change the way anybody feels about the dollar. Yesterday's glimpse of the big US investment banks – which until recently had been behaving in model patriotic fashion – joining the Europeans in selling dollars, shows how a bearish mood could be building up for a post-election splurge. The market no longer expects a rise in interest rates immediately after the election, and if Friday's employment figures confirm the picture of a less than roaring economy, the chances of any tightening of monetary policy would dwindle further.

Meanwhile the Fed is not alone in wanting its currency to stay put. The Chancellor must be content to see the sterling index at 76.4, and after his lapse at the Mansion House last month, he will do his utmost in today's Autumn Statement to give the market just what it wants.



Sears Roebuck

Until a few weeks ago, Sears Roebuck ranked alongside the likes of IBM, AT&T and General Motors. It is one of the grand old names of American business, whose performance often left a lot to be desired, but with annual sales of over $50bn and a workforce of 526,000 was of such a size that it appeared to be out of reach of even the most ambitious predator. However, after the recent megabuck takeover bids for RJR Nabisco and Kraft, the popular perception of the number of US blue-chip stocks which can count on retaining their independence by virtue of size has narrowed significantly.

Even after the recent run in its share price, Sears' stock market capitalisation of a shade under $16bn is still $2bn less than that of Wal-Mart, and if it were to be valued on the same cash flow multiple as RJR Nabisco then a price tag of $23bn does not look too outlandish. Yesterday Sears produced a thinly disguised defensive restructuring plan; much to the stock market's disappointment, this involved not gearing the company up to the eyeballs, but a buyback of 10 per cent of the equity and the sale of company headquarters. If even a highly conservative company like Sears is getting worried, it is hard to imagine who can rest secure.

Maxwell

Mr Robert Maxwell's acquisition of Dun & Bradstreet's airline guides has much in it to delight the student of corporate finance. The reason for taking the $750m deal through his private Pergamon company is at first sight disappointingly dull; doing it through Maxwell Communications, his public vehicle, would change its financial position in a week when it is returning to the US courts in pursuit of Macmillan. The real charm, though, lies in the notion of keeping MCC clear of one off-balance sheet transaction while it is trying to conclude another. Thereafter, the plan is to transfer the airline guides from Pergamon to MCC, though whether on- or off-balance sheet, and whether for cash or MCC paper, is not yet clear.

Taken in isolation, the airline deal seems to have its points. The guides involve a good deal of US printing, and are cash-positive, since the 750,000 users mostly pay subscriptions up front. The real difficulty about the wider strategy is that it once more shows Mr Maxwell's operations as a seamless web; and minority shareholders in the quoted vehicle have little guidance on what may be happening in the private parts of the empire. MCC's share price performance this year has been so deplorable that one is tempted to start groping for fundamental value. But although such a value certainly exists, the information is scarcely there on which to base a judgment.

Rolls-Royce/NEI

Rolls-Royce has not exactly made a habit of taking 5 per cent stakes here and there just in case it comes to something. So it must be a fair bet that the company has plans for NEI, whether or not they involve the latter ceasing to exist as an independent entity.

To judge from the 15 per cent rise in NEI's share price yesterday, the market seems to think it entirely possible that Rolls-Royce will decide to use up a bit of small change on a company whose market capitalisation is a mere £287m. Why Sir Francis Tombs should pick long-blighted NEI as his favoured receptacle requires more in the way of explanation, though. He may well have visions of gas turbine profits dancing in his head. But at the moment under 5 per cent of Rolls-Royce's turnover comes from gas turbines – and NEI, for its part, does not make a single one. Still, if NEI with its long experience of equipping power stations can bring to Rolls-Royce what gas turbine technology alone cannot – a clear edge in the battle to supply the smaller stations of the future – then a bid could end up making sense. It would have the added advantage of stopping Mitsubishi using NEI as a Trojan horse for the UK market – though presumably Rolls-Royce could manage that without going to a full bid.

Gold Fields

There is a hint of defensiveness about yesterday's DTI statement on the Gold Fields reference. Titanium aside, attention is now being drawn to whether a merger between Gold Fields and Minorco already exists. As Minorco says, this can only refer to the increase in its shareholding in the past six months (which is tiny), or to a collusive arrangement by which its holding is larger than stated; and such collusion has already been denied through sworn affidavits. There is a feeling that while the DTI wriggles, Minorco has the initiative. At any rate, it is evidently not quite ready yet to abandon its ambitions.

Wellcome wins heart drug patent hearing

By Peter Marsh in London

A RULING by the Appeal Court in London yesterday may make it easier for health-care companies to sell their own versions of an important new drug for treating heart-attack victims which is already marketed by Genentech, a US pharmaceutical group.

The judgment concerned UK patent rights to a drug called tissue-plasminogen activator (TPA), which Genentech has been selling for a year under the name Activase.

World revenues from the drug this year are thought likely to be more than $100m, making TPA one of the fastest growing products in the healthcare business.

In the ruling, three Appeal Court judges upheld an earlier judgment in the High Court last year that Genentech's patent over TPA was too broad and should be ruled invalid.

This may reduce the barriers to other companies bringing their own versions of TPA onto the market. The chemical is based on a naturally occuring protein and works by dissolving blood clots which can be a precursor to heart attacks or strokes.

In a separate development yesterday, Genentech announced that it had received UK Government approval to sell Activase in Britain. Hitherto the drug had not been permitted for use in Britain, although in addition to the US it is available in several other West European countries.

The specific arguments in the Appeal Court case concerned a contention by Wellcome, a UK drug company which is developing its own version of TPA, that the UK patent for the product should be set aside. This was on the grounds that the methods for making the drug, which Genentech had sought to patent, were based on techniques in relatively widespread use.

Wellcome said yesterday it was pleased by the Appeal Court decision could not indicate when its own version of TPA might enter the market. Analysts think this could be as early as next year.

A number of other drug companies, including SmithKline Beckman of the US, BASF of West Germany and several Japanese pharmaceutical groups, also hope to introduce their own forms of TPA.

The plans of all these companies may be helped by yesterday's ruling about the invalidity of the patent. The outlook is complicated, however, by the fact that Genentech may decide to take the case to a further appeal in the House of Lords. The company said yesterday it was considering this option.

Also, the patent ruling applies only to the UK. Genentech has a separate patent for TPA in the US whose legal status has yet to be tested in the courts.

A further complication is that sales of TPA, which took off extremely quickly initially, have slowed in the past few months largely as a reaction to the high price of the product. This works out at $2,200 for a single course of treatment. Some drug industry observers have suggested that TPA may be overpriced and that cheaper medications could work just as effectively.

Moscow offers human rights 'examination'

Continued from Page 1

the idea of a Moscow conference, advanced with some force by the Soviet side in the present talks in Vienna on security and disarmament.

Mr Glukhov said tartly, "I would advise the British Foreign Secretary to follow more closely developments in the Soviet Union." These included the accelerated release of citizens wishing to emigrate, he said. In the first nine months of 1988, some 46,000 Soviets (excluding children and including 11,500 Jews) have been allowed to leave, contrasting with 28,000 last year.

Mr Glukhov said that elections to the Supreme Soviet next year would see a plurality of different voices – including religious voices – although within the framework of a one-party system. Asked if he saw the emergence of different parties, Mr Glukhov drew attention to the vote in the Supreme Soviet last week when some 31 deputies (out of a total of more than 1,600) voted against a decree which allows Internal Ministry troops to search apartments.

"The future lies in mist," he said, but added that "the nature of developments of our country make it possible for us to live and work within the framework of a one-party system provided that it respects multiple opinions including political opinions. Multi-party systems do not necessarily mean safe guarantees for human rights."

US makes conciliatory gestures to North Korea

THE United States yesterday announced conciliatory gestures towards North Korea that are intended to support South Korea's initiative to reduce tensions on the divided Asian peninsula, Reuter reports from Washington.

Mr Charles Redman, the State Department spokesman, said the overtures included permission for US diplomats to renew substantive contacts with North Korean counterparts and relaxed restrictions on travel between North Korea and the United States.

The United States will also allow limited North Korean purchases of US humanitarian supplies. At present only US donations of humanitarian items, not sales, are permitted.

The United States will not withdraw North Korea from its list of "terrorist states" or lift decades-old economic sanctions that have brought trade between the two countries to a virtual halt, Mr Redman said.

He said the US action was a direct result of efforts by South Korean President Roh Tae-woo to improve relations with the Communist leadership in Pyongyang.

During a recent address to the United Nations, Mr Roh pressed his drive for an early meeting with his North Korean counterpart by offering to negotiate disarmament and other military issues. He has pressed the US and other allies to help draw North Korea out of its isolation and encourage it to abandon policies of confrontation and violence.

The Soviet Union and China have been asked to convey details of the US action to Pyongyang.

Japanese to lift chip capacity

Continued from Page 1

Miti forecasts that total Japanese production of 1-Megabit D-Rams will rise from 50.4m units in the July-September quarter to 89.4m in the January-March period next year, while output of older 256K memory chips will gradually decline.

Meanwhile, NEC, the world's largest chipmaker, has said it is studying plans to build a plant in the US to make 4 Megabit D-Rams, the next generation of memory chips.

The company also announced plans yesterday to build in Japan a Y20bn test-manufacturing line, capable of making the next generation of 16 Megabit D-Rams.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	22	72	Dubrovnik	C	11	52	Malta	S	24	75	Rhodes	F	20	68
Algiers	S	25	77	Edinburgh	S	08	46	Manchester	S	07	54	Rio de J'o	F	33	92
Amsterdam	F	08	46	Faro	F	22	72	Manila	C	31	88	Rome	R	22	72
Athens	F	18	64	Florence	F	15	59	Melbourne	S	20	68	Salzburg	F	04	39
Bahrain	C	31	88	Frankfurt	F	08	46	Mexico City	F	26	79	San Francisco	C	23	74
Bangkok	F	30	86	Funchal	F	20	68	Miami	C	27	80	Seoul	F	15	59
Barcelona	S	19	66	Geneva	C	14	57	Milan	S	12	54	Singapore	C	30	86
Beirut	R	24	75	Gibraltar	F	23	73	Montreal	C	02	36	Stockholm	C	02	36
Belfast	C	07	45	Glasgow	C	04	39	Moscow	F	01	34	Strasbourg	S	08	46
Belgrade	F	06	43	Guernsey	S	09	48	Munich	S	05	41	Sydney	C	23	73
Berlin	R	07	45	Helsinki	F	00	32	Nairobi	C	25	77	Taipei	C	24	75
Biarritz	S	19	66	H. Kong	C	17	63	Naples	F	15	59	Tangier	F	22	72
Bombay	S	33	91	Innsbruck	S	07	45	Nassau	C	29	84	Tel Aviv	S	23	73
Bordeaux	S	14	57	Inverness	C	07	45	New Delhi	F	32	90	Tenerife	F	25	77
Brussels	F	10	50	Islamabad	-	-	-	New York	C	11	51	Tokyo	F	17	63
Budapest	F	08	46	Istanbul	C	14	57	Nice	C	18	64	Toronto	C	03	37
B. Aires	R	15	59	Jakarta	R	33	91	Nicosia	C	22	72	Tunis	F	24	75
Cairo	F	26	79	Jersey	S	10	50	Oporto	C	19	66	Valencia	S	24	75
Cape Town	F	16	61	Jo'burg	C	25	77	Oslo	C	01	34	Venice	S	11	52
Caracas	C	26	79	Lima	C	20	68	Paris	F	10	50	Vienna	S	04	39
Casablanca	S	25	77	Lisbon	C	20	68	Peking	S	17	63	Warsaw	S	00	32
Chicago	C	07	45	London	F	11	52	Prague	R	05	41	Washington	S	01	34
Cologne	F	08	46	Los Angeles	C	25	77	Reykjavik	R	06	43	Zurich	S	06	43
Copenhagen	C	05	41	Luxembourg	F	06	43								
Corfu	C	17	63	Madrid	F	22	72								
Dallas	C	09	48	Majorca	S	25	77								
Dublin	F	10	50	Malaga	S	24	75								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Fed acts to prop up $

Continued from Page 1

the D-Mark to close at DM3.15. It closed unchanged on the Bank of England's sterling index at 76.4.

The strength of the pound was attributed to short-term speculative buying ahead of today's Autumn Economic Statement by Mr Nigel Lawson, the British Chancellor of the Exchequer to the House of Commons in London. Currency traders do not think he will say anything which will undermine sterling's strength.

The Fed's intervention in the dollar/yen market came amid growing concern about the US trade position and a belief that a policy vacuum between the US elections next Tuesday and the inauguration of the new president would defer any policy changes on the dollar and the US budget deficit until the new year.

The dollar weakened considerably throughout last month. A week before the August US trade figures were published on October 14, it was trading around DM1.86 and Y133. Yesterday in London it closed at DM1.7815 and Y125.50 while in New York, it ended at Y125.675 and DM1.78625.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 1 1988

INSIDE

Market crash claims new casualty in Perth

Australia has suffered another casualty from last year's stock market crash. Laurie Connell, one of Perth's most influential financiers, resigned as a director of Rothwells, troubled local merchant bank, amid controversy over fresh rescue moves by the Western Australian state Government. Page 27

Battle brewing in Australia's wool processing industry

A quiet controversy is brewing in the Australian wool industry. The country's wool dynasts are too polite to say much but the Australian Wool Corporation's move to get directly involved in preliminary processing of wool is an unpopular decision. Few would care to place bets on the outcome of this determined battle. Page 44

Canadian media make the equities best-seller list

Communications and media stocks are suddenly flavour of the month on Canadian equities markets, spurred by takeover activity and a favourable earnings outlook. The Toronto Stock Exchange's communications sub-index last week hit a 52-week high of 7867.13. On October 26, three of the index's largest component companies reported nine months' earnings improvements ranging from 7 to 34 per cent. Page 45

Kenmare under the microscope

Kenmare Resources, a Dublin-based natural resources company, might not be the first company to leap to mind in connection with the Minorco-Consolidated Gold Fields bid battle. But this Irish company is about to come under the microscope as the Monopolies and Mergers Commission looks at the possible impact of a takeover on the markets for zircon and titanium. Page 32

Glaxo tips the pay scales towards a US balance

Glaxo

Glaxo, Britain's biggest pharmaceutical company, has given Sir Paul Girolami, chairman, a 28 per cent pay rise, taking his 1988 salary plus other emoluments to £396,931 ($698,598). The move reflects an increased desire by many of Britain's biggest companies to increase salaries of top executives to bring these more into line with pay structures in the US. Page 32

Chicago's futures dealers wage war with interest

The Chicago Mercantile Exchange's Eurodollar futures contract has grown rapidly in the past year and its open interest has become the largest for any futures contract in the world. Meanwhile, the Chicago Board of Trade, the CME's LaSalle street rival, has applied to amend its own dormant Eurodollar futures in a bid to compete. Page 31

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			Falls		
Rises			RJR Nabisco	84⅞	+ [illegible]
Volkswagen	309	+ 7.5	Sears, Roebuck	41⅞	+ [illegible]
Man Ord	207	+ 4.5	Time Inc	111⅞	+ [illegible]
Thyssen	170	+ 4	**TOKYO (Yen)**		
Karstadt	492.5	+ 10.5	Rises		
Falls			Takaoki Paper	697	+ 100
Dresdner	302	- 6.5	Tokyo Sekitan	1250	+ 140
Bayer Verein	377	- 8	Meiji Seika	998	+ 100
NEW YORK ($)			Falls		
Rises			Saibon Kosho	761	- 90
Dun & Bradst	58¼	+ 7	Michie	1410	- 120
Rath Inc	103⅞	+ 7	Tokyo Rubber	818	- 44
Whirlpool	41⅞	+ [illegible]			
LONDON (Pence)					
Rises			Plessey	241	+ 6
Airflow Stream	152xd	+ 11	Prestwich	288	+ 7
Brit. Syphon	163	+ 8	Reckitt & Col	526	+ 50
Burberry	187	+ 8	Romney Tst	385	+ 34
Carlton Comm	880	+ 25	Southend Prop	162	+ 8
Cons Gld Flds	£11¾	+ ¾	Wembley	155	+ 36
Fine Art Devs	245	+ 6	Falls		
GEC	175½	+ 5	BAT Inds	470	- 6
Hogg Rob	185	+ 9	Logica	383	- 7
Hopkinsons	187	+ 9	Vinel	82	- 18
Lon. Shop	255	+ 9	Wharf Mills	85½	- 5½
Macca Lead	174	+ 5			
Pilkington	236½	+ 8½			

Sears throws itself into the marketing fray

Roderick Oram looks at the fundamental change in philosophy unveiled by the Chicago retailing group

When Nikita Khrushchev and his wife arrived in San Francisco in 1959, Mrs Kruschev rushed off to the local Sears Roebuck store even before it opened its doors. As soon as she could, she scooped up $100 worth of toys, baby clothes and nylons to take home.

As President Franklin Roosevelt had earlier suggested, perhaps the best way to convince the Kremlin of the superiority of the American lifestyle would be to bombard the Soviet Union with Sears catalogues. Thanks to its stores and its mail order catalogues – which once enjoyed a circulation second only to the Bible – Sears had grown into the largest retailer in the world by supplying almost any goods an American could want.

From its heyday, though, as the essence of US consumerism, Sears has suffered a steady and sometimes not very graceful decline over the past decade. Consistently, its ultra conservative management insisted on ploughing the Sears furrow rather than exploiting new trends in merchandising.

In recent years its sales growth has been half the industry average of around 10 per cent. The company recently reported a 36 per cent decline to $109.4m in third quarter profits from its merchandise group. But for the first time it failed to give a breakdown of separate figures for domestic and international retailing and credit card operations, because, it said, it was reviewing its corporate disclosure policies. Analysts think domestic retailing might have made a net profit as low as $15m to $20m.

With results like these, institutional shareholders and analysts have been growing increasingly restive over the past year. Once it was considered immune to takeover because of its sheer size – its market capitalisation yesterday was almost $16bn. But the current RJR Nabisco and Kraft plays, respectively $20.6bn and $13.1bn, have changed that perception. Sears is huge but it could be sold off in some two dozen discrete businesses.

Its restructuring announcement yesterday was clearly a defensive move to curry a little favour with shareholders as well as an attempt to tackle its problems. Sears' efforts to revamp its operations extensively, particularly the core merchandising group which accounts for half its sales, mark a fundamental change in the unwieldy Chicago company's philosophy. On pricing policy, store focus, management procedures and cost-cutting, Sears will attempt to join the fray in the intensely competitive US retailing sector.

Overall, though, its toughest task will be to overcome the growing disadvantage it has suffered by trying to be all things to all consumers. Thus, it is neither a deep discounter nor a specialty retailer – the two types of players that have increasingly dominated retailing. For example, Sears' share of the domestic appliance market, one of its bedrock areas, has fallen from 40 per cent to 25 per cent in the 1980s.

Many of the strategic elements to which Sears committed itself yesterday bear the stamp of Mr Michael Bozic, a 47-year-old Pittsburgh native who became chairman of Sears' merchandising group two years ago. He had earlier made his reputation in Sears' Canadian operations, helping it to double its operating profits during his tenure as president of merchandising.

No senior executive has ever moved so fast within the stodgy Sears corporate culture to translate his ideas into action with test programmes. One of Sears' traditional strengths had been the great respectability of its Kenmore brand name. But in a notable move to follow retailing trends, Sears said it would carry many more name brand goods. It has been greatly encouraged by test marketing of them, particularly in domestic appliances under the slogan Brand Central.

It intends to broaden the concept by turning many of its outlets into "superstores" each concentrating on a narrow range of product categories.

In a second thrust to tighten its focus, it will expand its specialty store operations. A separate unit, set up by Mr Bozic, has already made a few acquisitions such as the Western Auto Parts chain. It has also experimented with McKids, standalone stores selling toys and children's clothes under a name licensed from the McDonald's hamburger chain.

Sears also pledged yesterday to embark on "an aggressive new marketing plan featuring a transition to everyday low prices" in its 825 retail stores and its catalogue. Mr Edward Brennan, chairman, said frequent price cutting sales resulted in "unpredictable inventory flows, warehousing needs, excessive price marking and other promotional costs." Part of the $425m fourth quarter write-off announced yesterday will clear up some of those hangovers.

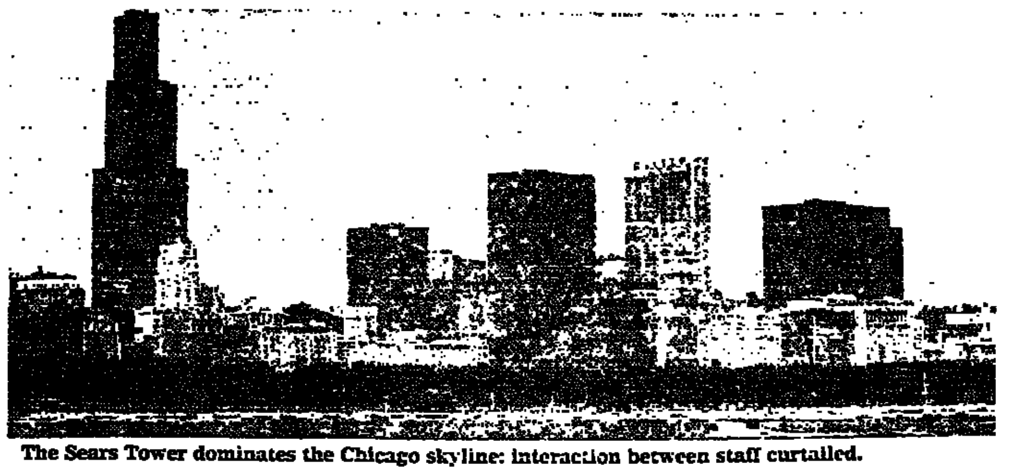
Instead, Sears hopes the new policy of consistently lower prices but fewer promotions will generate "greater volume at an acceptable margin" and at lower staff costs.

Most crucial of all to Sears' long-term future as a retailer is its decision to shift its merchandising staff out of the Sears Tower. Moving into the world's tallest skyscraper had severely curtailed interaction between staff used to a sprawling low level complex in the suburbs. Now they will move back to the home they are used to.

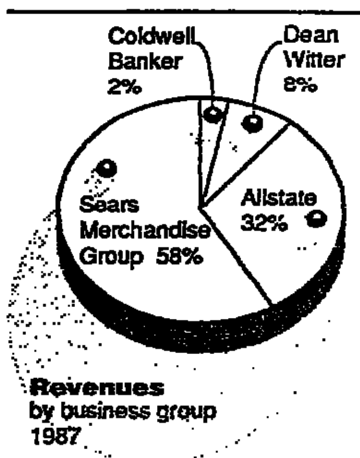
Above all, Sears acknowledged yesterday that the US and retailing have changed. As part of that shift it is determined to make the most of its financial services business which now account for half its sales.

At last, Sears is trying to learn how to use its enormous marketing muscle in its new non-retail businesses. The California think-tank of its Allstate insurance company has gathered data on the buying habits of Americans who do business with Sears. The data bank has 68.3m households, three out of four in the US.

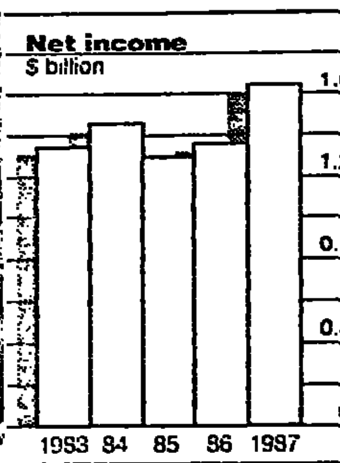
If ever Sears learns how properly to exploit a customer base as magnificent as that, it will have pulled off an American perestroika that would be the envy of Mr Mikhail Gorbachev.



The Sears Tower dominates the Chicago skyline: interaction between staff curtailed.



Edward Brennan: showing how to use marketing muscle



Dresdner Bank to raise DM780m in rights issue

By **Haig Simonian** in Frankfurt

DRESDNER BANK, West Germany's second largest bank, is launching a DM780m ($440m) rights issue in its first call on shareholders since it raised over DM1bn in a linked rights issue and warrant bond deal in March 1986.

The bank, which is issuing one new share for every eight already held at an issue price of DM260, declined to say what the money would be used for.

Unlike some of its counterparts, it has appeared reluctant to buy other banks in Europe in the run-up to the European Community's planned free internal market from 1992.

However, Dresdner Bank, which will now increase its nominal capital by DM150m to DM1.46bn, has been actively expanding its fund management business of late. Earlier this year, it bought a controlling interest in the Thornton Group, a UK fund manager, for around £25m ($44m).

Fund management appears to be one of the key businesses it has identified in developing its international presence. Further acquisitions are thought to be likely, notably in the US, although no details have yet been released.

However, a firm step may be forthcoming before the end of this year, and part of the cash may be destined towards this end.

The bank's share price, which has been under persistent buying pressure in recent months, fell by DM6.50 to DM302 in Frankfurt yesterday.

Dresdner Bank has been widely subject to rumours that its shares are being bought by Allianz, Europe's biggest insurer.

These reports, which probably bear no foundation, have been persistently denied by both the bank and Allianz and reflect the increasingly speculative nature of the West German market in financial services at present.

Fresh Gold Fields controversy

By **Kenneth Gooding**, Mining Correspondent, in London

THE UK Department of Trade and Industry yesterday sparked off fresh controversy over its handling of the hostile £2.9bn bid by Minorco for Consolidated Gold Fields by announcing that the Monopolies and Mergers Commission would look into dealings in Gold Fields shares in the six months leading up to the offer.

Minorco,which is controlled by South African companies in Mr Harry Oppenheimer's empire, reacted angrily, saying it had been misled last week when Lord Young, Secretary for Trade and Industry, referred the bid to the commission, citing possible effects on competition in the markets for titanium and zircon, two high-value metals.

It gave a broad hint that it would fight its case before the commission rather than permanently withdraw the Gold Fields bid.

Minorco argued that one interpretation which could be put on the department's statement was that the commission would look into allegations that Minorco had undisclosed holdings in Gold Fields which gave it control.

It stressed it had added only 0.9 per cent to the 27 per cent of Gold Fields which Minorco has controlled since 1981.

It has been widely suggested that Mr Oppenheimer's Anglo American Corporation would not have launched the bid for Gold Fields via Minorco unless it was sure of winning control from the outset.

However, Minorco recalled last night that its directors had given affidavits to the UK take-over panel confirming that they were unaware of any undisclosed holdings in Gold Fields by Minorco or its two major shareholders, Anglo American Corporation and De Beers, or any of their associates.

The department, while refusing to comment on Minorco's statement, insisted that it was merely attempting to make clear the terms of the commission reference – terms which had been in place since the announcement last week.

It pointed out that the commission had an obligation to examine all share dealings in a target company in the six months leading up to an offer whenever there had been a prior build-up of shareholdings by the bidder.

Hanson sells US unit for $185m

By **Christopher Parkes**, Consumer Industries Editor, in London

HANSON, the international conglomerate, is to sell Durkee Industrial Foods of the US to Unilever, the Anglo-Dutch consumer products group, for $185m.

Durkee, which supplies the food manufacturing and catering industries with speciality oils, frozen bakery goods and other ingredients, last year recorded sales of $174m and operating profits of $11.1m. Its net book value was about $50m, Hanson said yesterday.

Based in Cleveland, the company has four factories in the mid-West and New Jersey, and employs 1,000 people.

The deal is expected to be completed by the end of the year.

It represents a significant expansion of Unilever's interests in US food manufacturing ingredients and catering, which are at present limited mainly to the margarine market. The group is also market leader in retail margarines in the US with a share of more than 30 per cent.

Although no decisions have yet been taken, Durkee seems most likely to be absorbed by the Lever Brothers subsidiary in the US which is responsible for household products, margarines and oils, rather than the retail food division, Lipton.

Unilever has been busy lately developing its presence in the non-retail food sector. Its Quest subsidiary, bolstered by the acquisition of Naarden, a Dutch concern, is now the second largest flavours and fragrances manufacturer in the world, supplying a global network of customers as well as the group's own needs.

In Britain, Unilever bought Distillers (Yeast) from Guinness in September. It is also in the process of establishing its UK Craigmillar bakery supplies and catering business as a separate profit centre, to be based at Bromborough on Merseyside.

Craigmillar is currently an integral part of the Van den Bergh & Jurgens margarine and oils concern.

Durkee joined the Hanson portfolio in 1986 with the $930m purchase of SCM, a 22-company conglomerate which made most of its profits from chemicals but was best known for Smith Corona typewriters.

Durkee is understood to have performed well since the acquisition. Typical Hanson cost-cutting, and manufacturing policy focused on high added-value speciality products rather than low-margin commodities produced record profits last year.

With yesterday's deal Hanson will have realised about $1.2bn from sales of SCM subsidiaries, including property interests, pulp, paper and retail foods. The remaining SCM interests, mainly in typewriters and chemicals, are understood to have a net asset value of more than $4bn.

Kuwait seeks BP sale extension

By **Vanessa Houlder** in London

KUWAIT yesterday made an official request for more time to meet the UK Government's demand for a major reduction in its 21.6 per cent stake in British Petroleum.

Mr Sabah al-Ahmed al-Sabah, Kuwait's foreign minister, pressed for a swift response to this request, at a meeting with Mr Peter Hinchcliffe, the UK ambassador.

In response, Mr Hinchcliffe said that the issue was being dealt with in negotiations between the Kuwait Investment Office and the Office of Fair Trading. These negotiations over the timing of the divestment were set in motion by Lord Young, the Trade and Industry Secretary, when he announced the forced sale at the start of October. The OFT has been given discretion to extend the 12-month deadline if warranted by market conditions.

At its current market price of 243p per share, the sale of the stake would result in a loss for the KIO of about £350m ($623m).

Mr John Jeffrey of Stephenson Harwood, the KIO's London solicitors, said that the KIO was pressing for an indefinite period in which to sell the shares, although it might be prepared to accept a five-year period.

The KIO, which has an estimated £15bn invested in the UK, began building its stake in BP in October 1987 after the UK Government's £7.2bn share offer. It continued to accumulate shares until March, despite several ministerial warnings.

The KIO was asked to cut its 21.7 per cent stake to 9.9 per cent after an inquiry which found a potential conflict of interest.

The BP ruling has fuelled debate within Kuwait about its strategy of investing in the West, which is viewed by some as unsafe and irrelevant to Kuwait's own long-term development. Since its decision, the UK Government has attempted to reassure Kuwait that the UK welcomes Arab investment.

Last week, Mr William Waldegrave, Minister of State for Foreign Affairs, urged the Kuwaitis to treat the BP case as a casual incident that should not affect its relations with the UK.

INTERNATIONAL COMPANIES AND FINANCE

Kraft and Philip Morris shares soar after deal

By Anatole Kaletsky and James Buchan in New York

THE SHARES of both Kraft and Philip Morris soared yesterday morning on Wall Street after the two companies' announcement of an agreed merger which would create the world's largest consumer products company.

Under the $13.1bn deal, announced on Sunday night, Kraft shareholders will receive $106 a share in cash from Philip Morris for their holdings in the Chicago-based cheese, dairy and and processed foods company. Kraft's shares shot up by $7 to $103½ in heavy trading, while Philip Morris shares rose $1⅝ to $96¾.

Arbitrageurs on Wall Street expressed relief that they would not have to wait for Kraft to raise the financing for a controversial leveraged recapitalisation, said to be worth $110 a share, which the management had announced last week. Philip Morris shareholders were broadly pleased that their company had managed to avoid a long drawn-out and costly auction for Kraft.

The deal, which will be the largest corporate takeover ever to be concluded outside the oil industry, ends a brief but fierce struggle between the two companies.

Philip Morris originally offered $90 a share. However, Kraft demanded that the tobacco group pay more and threatened to load itself with more than $12bn in debt in an attempt to drive its stock price up to $110 a share.

Mr Hamish Maxwell, who as chairman of Philip Morris has presided over a large-scale diversification into the food business, said that the merger would create "a US-based food company that will compete more effectively in world food markets."

Kraft is best known for its processed cheese products, such as Cheez Whiz and Velveeta.

The deal is the first step in a wholesale reorganisation of the US food industry, spurred by intense competition for well-known brands.

RJR Nabisco, a tobacco company which also bought heavily into food brands, faces an offer of $20.3bn from the Wall Street firm of Kohlberg Kravis Roberts. Pillsbury, a smaller food and restaurant group, is fending off an offer from Grand Metropolitan of the UK.

Under the Kraft-Philip Morris merger agreement, Mr John Richman, the Kraft chairman and chief executive, and up to two other Kraft board members will join the Philip Morris board.

Mr Richman will also be nominated to become Philip Morris vice-chairman and is expected to be responsible for programmes that will maximise benefits of an association between Kraft and Philip Morris's large General Foods unit.

Mr William Murray, Philip Morris vice-chairman, said the merger would create the world's largest consumer products company, surpassing Unilever, the Anglo-Dutch conglomerate.

Atari plans memory chip plant

By Louise Kehoe in San Francisco

ATARI, the US personal computer and video game manufacturer, is planning to launch its own memory chip manufacturing operation in about six months, Mr Jack Tramiel, its chairman and chief executive, has revealed.

The Dram (dynamic random access memory) production plant, which will be located not in the US, but "somewhere where costs are lower," will take about two years to complete and to bring into full-scale production, Mr Tramiel expects.

He did not estimate the cost of the venture, but Dram production plants, which require advanced semiconductor processing equipment, cost in the region of $100m-$250m, depending on scale of the operation.

Like other personal computer makers, Atari has been suffering the effects of a year-long shortage of memory chips. "We have not been able to serve the US market, because we could not get the chips," Mr Tramiel complained. Atari's sales in Europe have been strong over the past year, but the company's personal computers are not as widely used in the US.

He said Atari had decided not to co-invest in Dram production with a semiconductor company, like Amstrad of the UK, which recently acquired a stake in Micron Technology of Boise, Idaho, in return for guaranteed chip supplies. "We are going to go it alone."

Concerns about a potential oversupply of Drams in the early 1990s as Japanese producers expand their production capacity have made US semiconductor companies reluctant to re-enter the Dram business, despite mounting pressure from US computer makers.

A significant drop in Dram prices in Asia over the past few weeks has also prompted some US industry analysts to predict that the Dram shortage may be nearing an end, despite contradictory statements from the largest Japanese Dram producers.

In the midst of this uncertainty, National Semiconductor, one of the largest US chip makers, has postponed a decision on whether to re-enter the Dram market, Mr Charles E. Sporck, the company's national president and chief executive, told the annual meeting on Friday.

In another development, NEC of Japan, a major memory chip maker, said it was considering building a major new Dram plant in the US to produce the next generation of 4-megabit Drams. A decision will be made early next year, it said.

IBM and Microsoft yesterday announced delivery of their next version of the OS/2 personal computer operating system which incorporates a long-awaited graphical user interface called Presentation Manager.

US car rental group in $300m buy-out

By Our New York Staff

BUDGET RENT a Car, the third largest US vehicle rental concern which was floated as a public company two years ago by the Transamerica financial services group, is going private again in a $300m leveraged buy-out backed by Ford.

The buy-out proposal is worth $30 a share in cash and Budget shareholders, who could have bought their Nasdaq-quoted shares for $14 in the initial public offering in September 1986 made massive profits yesterday morning. Budget's shares jumped $10⅛, or 59 per cent, to $27¼ as a result of the LBO announcement.

The LBO is being led by Budget's management and the investment bank of Gibbons Green Van Amerongen.

Most of the financing, however, is being provided by Ford Motor Credit and the deal looks like increasing Ford's influence in the US car rental market.

This influence grew significantly though Ford's earlier role in the buyout of Hertz, the leading US car rental group, which previously belonged to Allegis, the Chicago-based travel conglomerate.

Ford financed a $1.3bn management-led buyout of Hertz in October, 1987. It subseqyuently sold a 20 per cent stake in this business to Volvo.

Of the other big US car rental businesses, National was sold in September to a management group backed by General Motors, while Avis was acquired by its employees in September last year in another buyout backed by GM and Chrysler.

Both National and Avis had already undergone LBOs previously this decade.

National was previously owned by an investor group led by Paine Webber, the Wall Street brokerage house, while Avis belonged to Wesray Capital, an LBO group, headed by Mr William Simon, the former US Treasury Secrertary.

Inco 'pill' stirs up a hornet's nest

David Owen and Kenneth Gooding report on a defensive package

INCO, the world's largest nickel producer, has stirred up a hornets' nest with its plan to launch Canada's first corporate "poison pill" package linked with the payment of a special US$10 a share dividend payment which will cost $1bn.

The plan comes up for shareholder approval early in December and initial reaction has been far from enthusiastic. Early indications suggested that many institutional investors would oppose the plan for fear that it might trigger "me-too" poison pill initiatives at other Candian resource companies.

Caisse de Depot et Placement du Québec, which invests Québec pension and insurance plan contributions and holds about 3 per cent of Inco's issued capital, objected to the link between the poison pill and the special dividend – Inco shareholders cannot have one without the other.

If the dividend is paid it will about double Inco's debt to $1.5bn, and immediately the plan was announced both major credit rating organisations, Moody's and Standard & Poor's, cut their rating of Inco debt (although it remains at investment standard).

So far Inco's share price has reflected the uncertainties about the plan and has not shown much improvement. One of the main reasons for the proposals was that Inco's board felt the market price did not take account of the improvement in the company's performance and in today's stock market climate it was an attractive takeover target.

However, in spite of the uproar, Mr Ian McDougall, an Inco executive vice-president who has the task of "selling" the plan to the investment community, believes that ultimately a majority of shareholders will give it their approval.

He points out that more than half of Inco's shares are held by US investors who are familiar with the concept of shareholders' rights plans (poison pills) because more than 700 companies – including most US mining groups – have launched them in the US in the past few years.

MR McDougall says it was because of the Inco board's concern that the different securities laws in Canada and the US might form the basis for unequal treatment of shareholders that the plan was proposed. In effect, it requires anyone seeking to acquire 20 per cent or more of the company's voting shares to negotiate with the board to terminate the rights issued under the plan. The rights effectively doubles the cost of taking over Inco.

"While the plan does not prevent a takeover, it encourages anyone seeking to acquire the company to make an offer of fair value to all shareholders," insists Mr McDougall.

Inco points to a bitter takeover battle earlier this year between Nova, the Alberta petrochemicals concern, and Polysar Energy and Chemical as an example of the benefits that board-level negotiations can bring for shareholders.

Because of government ownership restrictions, Nova was obliged to confer directly with the Polysar board before acquiring the Ontario-based company's assets. Polysar ultimately goaded Nova into raising its initial bid by about C$6 a share to C$20 before capitulating.

Mr McDougall also points out that Noranda recently launched a "street sweep" (a rapid accumulation of shares) and acquired a big stake in Falconbridge, the second largest nickel group. Noranda paid no premium and is not treating the shareholders fairly, he suggests.

Several other issues have been regularly raised during Mr McDougall's recent meetings with investors and analysts in Canada and Europe.

Why didn't Inco use its cash for acquisitions?

He says the company wants to "stick to its knitting" and is not interested in diversification. There are no bargains in mining, or downstream nickel businesses, such as alloys or engineered products. Inco is looking for a 15 per cent return on equity after tax and that, too, narrows the field of potential takeover candidates.

Why not simply pay a dividend from available cash? Why go deeper into debt?

Mr McDougall says that, if the recapitalisation plan is to truly "enhance shareholder values" and be meaningful, it has to involve a dividend of about US$10 a share. A $5 or $6 a share dividend would simply be seen as a distribution of surplus cash.

The $1bn to be paid out represented the company's internal cash-flow generated over the past 18 months. In deciding on the payout the board had taken into consideration that Inco's capital expenditure programme called for about $300m a year for the next three years.

After borrowing about $500m towards the dividend payment the company would still have access to another $500m if needed. "We felt we could get back to a comfortable level of debt within a year," he adds.

Why didn't Inco buy back its own shares?

Mr McDougall points out that Inco would run into tax problems if it bought back more than 10 per cent of its issued capital. "We have so many shareholders with so many different tax characteristics that it would be bound to be unfair to some of them."

Isn't this just a management protection scheme?

Not so, says Mr McDougall. Any potential predator would have to deal with the board and Inco's 15-man board includes only two current management representatives plus Mr Charles Baird, a former chairman.

Mr McDougall says that, with these proposals, the board is expressing its confidence in Inco's core businesses. "With a poison pill in place the management can look to the long term for the businesses – in terms of exploration and long-term investment."

Toshiba buys rest of venture

By Our Financial Staff

TOSHIBA of Japan has bought out the stake held by Westinghouse Electric in their US cathode ray tube joint venture and plans a $100m expansion of the company.

Westinghouse, which sold its $500m a year elevator and escalator business to Schindler of Switzerland this year, has been restructuring by moving out of low growth industrial operations.

Toshiba did not reveal the cost of buying Westinghouse's 49.9 per cent. It said the US company had withdrawn because demand in the US for colour display tubes for computers had fallen since the venture was planned. The venture also did not fit in with Westinghouse's long-term plans.

Toshiba Westinghouse Electronics was orginally capitalised at $40m, and Toshiba said that since the company was founded in 1985, its capital had been increased several times.

The Japanese company plans to spend about $100m on expanding the plant at Elmira, New York, to build 30-inch and 32-inch tubes by next August.

The expansion will involve 400 new jobs. The company currently has around 800 employees and produces about 1.5m 19-inch and 20-inch colour tubes a year.

Toshiba said the name of the company would be changed to Toshiba Display Devices.

Matsushita Electric Industrial also plans to manufacture 30-inch tubes in the US. Sony produces 32-inch televisions in the US using imported tubes.

Improvement at US Healthcare

By Bob Vincent

US HEALTHCARE, one of the leading operators of health maintenance organisations in the US, lifted third-quarter premium revenue by 23 per cent, and swung from a loss of $22.8m to a profit of $2.5m or 5 cents a share. In the 1987 period, medical claims reserves were increased by $51m.

After nine months, the group recovered from a loss of $4.4m to a net profit $3.2m or 7 cents, on revenues of $546.2m, against $463.5m last time.

INTERNATIONAL COMPANIES AND FINANCE

Cheung Kong cash offer for Green Island Cement

By Michael Murray in Hong Kong

CHEUNG KONG Holdings, the Hong Kong property concern and flagship of Mr Li Ka-shing's business empire, is bidding for the remainder of Green Island Cement, its 44.6 per cent held associate, with a cash offer which values Green Island at HK$2.03bn (US$260.3m).

The offer for Green Island, which has about a half share of the territory's cement market, is at HK$20 per share. The shares, which were suspended yesterday, closed at HK$17.70 last Friday. They have fluctuated between HK$7.65 and HK$18.20 this year, and reached a pre-crash high of HK$19.90 in 1987.

Mr George Magnus, Cheung Kong deputy chairman, said that turnover in the shares of Green Island, which has a market capitalisation of about one tenth of that of Cheung Kong, was sparse, and it was an appropriate time to take the company private.

"It makes things a little bit tidier," he said.

Green Island is one of the 33 stocks which make up the Hang Seng Index, the most widely used barometer of the Hong Kong stock market.

The offer will be made by Wardley Corporate Finance and CEF Capital Limited on behalf of Sukvit Investments, a wholly owned subsidiary of Cheung Kong.

It will be conditional upon acquiring more than 50 per cent of Green Island's share capital – only 5.4 per cent more than it holds at present.

In the event that it acquires over 90 per cent of the shares, Sukvit intends to purchase compulsorily all outstanding shares.

Green Island shareholders will be advised by Sun Hung Kai International. The company has requested that trading in its shares resume today.

Connell resigns from Rothwells

By Chris Sherwell in Sydney

MR LAURIE CONNELL, one of Perth's most influential financiers, yesterday resigned as a director of Rothwells, the troubled local merchant bank, amid controversy over fresh rescue moves by the Western Australian state Government.

Mr Connell's withdrawal both from his highest-profile business and from his other public company directorships adds another casualty to the list of Perth's entrepreneurs who have become victims of last year's stock market crash.

It also underscores continuing difficulties faced by Rothwells despite two controversial rescue efforts involving the state Government. Questions are again being asked about potential knock-on effects should it collapse.

At the weekend Mr David Parker, the state's deputy premier, acknowledged that Rothwells was again suffering from "grave liquidity problems." Although he blamed this on the opposition, which has been asking a penetrating series of questions on Rothwells in the state parliament, it is clear that an audit of the group's books has shown its problems remain deep-seated.

The Government admitted last week that the state electricity utility arranged to buy coal in advance from Western Collieries, a recently acquired Rothwells subsidiary, under an attractive deal which also helped the bank. The opposition said Rothwells was unable to meet payments on some A$50m (US$41.1m) in commercial bills being presented to it.

Mr Parker has since confirmed that the Government is contemplating the possibility of arranging fresh credit lines for the bank, and some action on this was under consideration yesterday. If it goes ahead, this would amount to the third rescue since the crash triggered a run on the bank.

The first came in the form of government backing for a A$150m loan facility from the National Australia Bank while Mr Connell injected about A$70m of his own money and a group of prominent Australian entrepreneurs participated in a A$164m share issue.

The second involved the injection by Mr Connell of A$350m into Rothwells, funded by the sale of his share in an unbuilt petrochemical plant to his friend Mr Alan Bond and the state Government, which contributed A$175m. The arrangement was designed to allow the state Government to retire its earlier guarantee.

Mr Connell has built up a formidable reputation as a deal-maker, and became known as Perth's lender of last resort because of his willingness to back business ventures in return for high interest charges and large fees.

No one has missed the irony that his latest crisis has surfaced at a time when he is fighting in the courts for payment of a A$100m "success fee" from the Fairfax media group for advice given in helping Mr Warwick Fairfax take it private. The problems caused by his costly takeover prompted Mr Fairfax to refuse payment, and he has launched a A$160m counter-claim.

Mr Connell said yesterday Rothwells' recent problems were largely a result of non-payment of this fee.

From what is known, Rothwells had some A$700m in deposits prior to the crash, of which an estimated A$400m was then withdrawn. Despite injections amounting to around A$600m, it is still plainly in difficulty.

Sanctions hit SA coal exports

By Jim Jones in Johannesburg

THE CHAIRMEN of South Africa's two largest coal companies have given contrasting views on the state of export markets for the industry.

Mr Graham Boustred of Anglo American Coal Corporation (Amcoal) has reported a 22 per cent increase in export sales in the half-year to September while Mr Brian Gilbertson of Trans-Natal has announced lower sales in the year to June and warned of cuts in next year's exports to Japan.

Mr Gilbertson told analysts yesterday that Trans-Natal's export sales increased by 1.4 per cent to 7.4m tonnes in the last financial year.

However, sanctions had led Japanese buyers to cut their 1989 contractual purchases by 20 per cent with further reductions likely in future years.

Trans-Natal expects to sell 2.4m tonnes of steam coal to Japan this calendar year while other exporting countries have failed to make contract deliveries to Japanese buyers.

In contrast, Amcoal has reported higher exports and domestic sales but, in line with Trans-Natal, it expects domestic sales to decline in the near future as Eskom, the state-owned electricity utility, closes old thermal power stations.

Amcoal's coal and coke sales were 23.7m tonnes in the period to September against 19.2m in the corresponding period of 1987 when colliery operations were affected by a three-week strike of black miners. The first half's turnover increased to R706m ($285m) from R550m and the interim pre-tax profit was R171.9m against R109.6m.

In the last full year turnover totalled R1.14bn and pre-tax profit amounted to R239.9m.

Mr Boustred expects exports to rise during the present six months and says dollar and rand prices will be higher. Mr Gilbertson concurs on prices, adding that supply shortfalls from other countries have helped lift dollar-denominated export prices by about 15 per cent since the start of 1988.

Amcoal's first-half net earnings rose to 305.9 cents a share from 205.4 cents and the interim dividend has been raised to 95 cents from 80 cents. Earnings totalled 429.4 cents in the last financial year and the year's dividend was 240 cents.

Trans-Natal suffered a loss of 4.2 cents a share in its past financial year and did not pay a dividend. Mr Gilbertson hopes dividend payments will resume this year.

Dickson Concepts profits leap

By Michael Murray in Hong Kong

DICKSON CONCEPTS, the Hong Kong retailing group specialising in luxury brand name clothing and accessories, has reported operating profits of HK$146.7m (US$18.8m) for the six months to September, a jump of 175 per cent over the same period last year.

Turnover soared to HK$746.6m from HK$233.5m. Attributable profits after tax and minority interests rose by a more modest 52 per cent to HK$105m, as last year the first half included exceptional items of HK$25.3m arising from the disposal of property investments.

Dickson has benefited from the buoyant conditions in the Hong Kong retail sector, where it operates boutiques selling brand names such as Polo Ralph Lauren, Charles Jourdan and Hermès.

The company has also been diversifying into other countries in Asia, notably the increasingly affluent Taiwanese market, where last year Dickson opened 10 boutiques and one department store in Taipei.

Last year Dickson paid US$53m for the worldwide operations of ST Dupont, which sells writing instruments, leather goods and luggage. ST Dupont now accounts for around 40 per cent of the group's total turnover.

Sharp up 28% in first half

By Ian Rodger in Tokyo

SHARP, the Japanese consumer electrics group, reported first-half pre-tax profits of Y24.4bn ($194m), up 28.4 per cent, due in part to the success of its new electronic diaries. Total sales rose 18.7 per cent to Y475.6bn.

The pre-tax profit forecast for the full year has been raised to Y50bn, from an earlier forecast of Y44bn and an actual result last year of Y38.3bn.

MMC advances by 55%

By Ian Rodger in Tokyo

MITSUBISHI MOTORS, which plans to go public later this year with an issue of shares on the Tokyo Stock Exchange, has reported a 54.9 per cent increase in pre-tax profits to Y16.4bn ($130.4m) in the six months to September.

The company, Japan's fourth largest car maker, reported that domestic vehicle sales in the period rose 13 per cent to 290,518 units while export sales dropped 10 per cent to 321,405 units.

The value of total net sales rose 10.4 per cent to Y909.5bn. Net income was Y6.04bn, up 9 per cent.

MMC is forecasting a pre-tax profit of Y33bn in the full year, up 59 per cent.

● Mitsubishi Heavy Industries, Japan's biggest heavy machinery maker, more than doubled its first-half profits to Y35.4bn ($281.8m) before tax of Y15.3bn. Sales were flat at Y787bn against Y788.5bn.

INTERNATIONAL COMPANIES AND FINANCE

Sweden's share ownership structure comes under fire

By Sara Webb in Stockholm

SWEDISH INDUSTRY needs to have a more flexible ownership structure brought about by measures such as partial privatisation, limits on cross-ownership stakes and more freedom for institutions to invest in companies, according to a parliamentary committee report released yesterday.

The committee also finds that the concentration of ownership in Swedish companies *has* increased markedly during the last 20 years and notes that "a limited number of owners control a large part of Swedish industry today."

Major shareholders have succeeded in stepping up their *influence in Swedish industry* by increasing the average size of voting blocs from 35 per cent in 1978 to 47 per cent in 1985, the report says.

"There have to be ways for ownership structure to change and to prevent barriers to such changes from being established," it concludes.

The main recommendations made by the committee and which will now be discussed by the Government are:

- To introduce new measures to curb cross-ownership of companies.
- For the state to sell minority stakes in the state-owned companies in order to raise new capital.
- To allow institutions such as insurance companies to own more than 5 per cent in other companies in view of the fact that major individual shareholders can no longer meet the financial requirements for growth.
- To maintain existing limits on foreign ownership of Swedish companies.
- To change tax regulations in order to encourage small investors and investment companies to put more money into the stock market.

The chief criticism in the report is levelled at non-financial companies that build up cross-ownership structures in each other through controlling stakes.

The tendency has emerged in recent years, either directly *or through intermediary* companies as seen with Volvo, the motor group, and Skanska, the construction group.

The committee says the cross-ownership makes for a more rigid ownership structure and prevents new shareholders from having any influence while warding off would-be takeover offers.

One indication of the extent of cross-ownership is the fact that quoted *non-financial* companies now own 9 per cent of all quoted shares, double the 1978/89 figure, through the build-up of strategic holdings in each other, the report says.

While much of Swedish industry remains dominated by the Wallenberg family, institutions such as the insurance groups, pension funds, savings funds and wage-earner funds have increased their control over companies during the past ten years.

Though there were worries when the wage-earner funds (which are controlled by the unions and loathed by most Swedish industrialists) were introduced that they would soon achieve a tight control over Swedish companies, the fears do not appear to be borne out.

The *report concludes* that the wage-earner funds owned only 1 per cent of the total bourse value in 1985/86, though Mr Lennart Pettersson, the committee chairman, said yesterday he believed the wage-earner *funds* could "go further" in widening their ownership of Swedish industry as a complement to other forms of capital.

While direct ownership of bourse capitalisation by the big individual investors has decreased from about 35 per cent in the 1960s to about 22 per cent in 1988, the report concludes that much of Swedish industry is dominated by the *same handful of* families.

Indeed, the top seven biggest owners of Swedish industry have remained unchanged for over two decades, with the Wallenberg family by far the most influential.

More recently, financiers such as Mr Anders Wall and Mr Erik Penser have joined these ranks.

Aker to sell 20.9% holding in Kosmos

By Karen Fossli in Oslo

AKER, Norway's troubled industrial group, is to sell its 20.9 per cent shareholding in Kosmos, the Norwegian shipping group, to IM Skaugen, another Norwegian shipping business, for NKr409m ($62m).

Aker said the disposal was part of a financial restructuring aimed at reducing borrowings from their present level of NKr8.5bn. Group debt reached this figure earlier in the year following the acquisition of UK-based Castle Cement.

However, the sale of shares in Kosmos has taken on a new *and complicated twist.* Mr Cato Holmsen, a Skaugen executive, said that Kosmos was to be restructured financially.

To this end, MG Industries, which has connections with Skaugen, has raised NKr1.5bn to form a new company, Kosmos Holding, described by Mr Holmsen as as a vehicle for the restructuring.

Two weeks ago the board of Kosmos spurned an offer by executives in the company to restructure Kosmos. Skaugen is to increase its shareholding in Kosmos to between 30 per cent and 35 per cent. Volvo, the Swedish motor, foods and energy group, has also been offered a stake of between 15 per cent and 20 per cent.

Mr Ernst Knappe, a member of Volvo's executive group committee, confirmed yesterday that the two companies had held talks.

Bofors plans to shed 750 jobs

By Sara Webb in Stockholm

BOFORS, THE Swedish ordnance group under investigation for smuggling arms to the Middle East, announced yesterday that it would cut more than 10 per cent of its workforce over the next two years as part of its rationalisation plans.

Mr Egon Linderoth, who was appointed managing director of Bofors last December after several senior executives came under pressure to resign over the smuggling scandal, said the expected decline in production over the next two years called for 750 jobs to be shed and ordnance production at one of its factories to be wound down.

Bofors stepped up production after winning a SKr8.4bn ($1.4bn) order from the Indian Government in 1986 for Howitzer guns.

The contract, which was the largest Bofors had ever won, came at a crucial time as weapons exports were declining and job cuts were on the cards.

The Indian order created 400 new jobs at the company and has boosted sales and profits – as well as bringing a further whiff of scandal when it was alleged, though never proved, that Bofors had paid bribes to win the order in the first place.

Bofors said sales in 1988 were expected to exceed SKr6bn. Profits (after financial items) reached SKr200m in the first eight months.

Danish tobacco group turns in increased sales

By Hilary Barnes in Copenhagen

TOBAKSKOMPAGNI, a Danish group of wholesalers, office equipment and agricultural machinery manufacturers, reported sales up from DKr6.95bn to DKr7.35bn ($1.08bn) for last year and said pre-tax profits rose from DKr563m to DKr726m.

The company, one of Denmark's largest businesses, has BAT Industries of the UK as a major shareholder.

Profits from the tobacco business increased from DKr488m to DKr599m. About 45 per cent of tobacco sales, totalling DKr2.1bn, are export sales.

The group's Prince Light brand-name cigarettes have won a strong position in the German market, where they are the second-largest selling brand in the Hamburg area. The group recently announced plans to market the brand in the US.

Pohjola sees profit boost from direct insurance

By Olli Virtanen in Helsinki

POHJOLA, THE Finnish insurance group, expects its annual operating profit before changes in equalisation reserve and taxes for 1988 to jump to FM346m ($82m). This would represent an increase of 48 per cent on the FM233m of last year.

The company expects premium income for the year to increase by 17 per cent to FM2.5bn, while claims are forecast to grow at a slower rate – by 11 per cent to FM1.4bn.

Mr Pentti Seppälä, group managing director, said the whole direct insurance business would show a significant improvement over 1987. However, Pohjola's international operations would continue to make a loss.

Premium income from foreign insurance is expected to reach FM420m, while claims paid this year will total FM460mn. Investment income will amount to FM609m, down from FM624m a year ago.

The rapidly growing direct insurance premium income is the biggest single factor in Pohjola's improving results. However, Mr Seppälä warned that "international competition, particularly for insurances of large Finnish corporations, will increase rapidly."

- Enso-Gutzeit, the state-controlled forest products group, reported a 68 per cent increase in profit before appropriations and taxes to FM602m ($140m) for the first eight months of this year compared with the same period in 1987.

Group net sales in the January to August period rose by 19 per cent to FM8.22bn. Operating margins – operating profits as a percentage of net sales – widened by two points to 19 per cent.

Enso attributes the improved result largely to brisk demand in fine papers and wood-containing printing and writing papers.

INTERNATIONAL COMPANIES AND FINANCE

Wembley shares jump as Mountleigh reveals talks

By Paul Cheeseright, Property Correspondent, in London

MOUNTLEIGH, the rapidly-changing UK property group, increased uncertainty about its future course yesterday when it announced it was in informal discussions which might lead to a recommended offer for Wembley.

Wembley, the sports stadium proprietor, saw its shares jump sharply 36p to 155p.

There has been spasmodic speculation for at least two years that Mountleigh might make a bid for Wembley. Mountleigh owns 10 per cent of the Wembley equity and Mr Tony Clegg, its chairman, is on the Wembley board.

Mr Brian Wolfson, Wembley chairman and chief executive, emerged last month, however, as a member of the consortium buying the 5.4 per cent stake in Mountleigh owned by Mr Clegg and his family and became a non-executive member of the Mountleigh board.

Announcement of the discussions left the financial sector nonplussed and did nothing for the share price which slipped 1p to 159p yesterday.

New acquisitions have not appeared to be part of Mountleigh's near-term development. Mr John Duggan, appointed chief executive in mid-October, has been seeking to work out a longer-term plan for Mountleigh which would reduce its dependence on earnings from property trading.

Before Mr Duggan's appointment, Mountleigh had started to cut borrowings which led to the sale, for only modest profit, of Stockley Park and some central London office properties to bring in some £500m ($880m) in about three weeks.

Mr Duggan has made no secret of his concern with Mountleigh's gearing and said after the sale of Paternoster Square, near St Paul's Cathedral, that it had been reduced to 45 per cent, including both on- and off-balance sheet debt.

Yesterday's announcement may have been prompted by the Takeover Panel, bid watchdog, seeking to eliminate speculation following newspaper reports saying that Mountleigh was planning a £180m takeover of Wembley.

The company's statement merely said the discussions were "informal".

But London's financial sector was staggered at the suggestion of an £180m price tag for Wembley, which would be nearly double its market capitalisation before yesterday's share price surge.

In its last accounts, Wembley's land and buildings were valued at £92.25m and its investment properties at £29m.

Meanwhile, Mountleigh stoutly denied persistent reports that it intented to sell Galerias Preciados, its controversial Spanish department store chain.

Rolls-Royce announces secret stake in NEI

By Nick Garnett in London

ROLLS-ROYCE, UK aero-engine builder, has secretly purchased a 4.7 per cent stake in Northern Engineering Industries, Newcastle-based power station equipment and heavy engineering group.

Rolls said the purchase was a "trade investment."

London financial analysts, initially surprised by the revelation, speculated it was a stategic move related to the changing shape of the electricity supply industry and that Rolls might want to expand further in power engineering.

Mr Jim Riggs, finance director at Rolls, said he would not specify the reasons behind the share purchase.

NEI shares closed at 123p, up 16p, while Rolls-Royce shares slipped 2¼p to close at 135p.

The share purchase was unearthed at the weekend during an investigation into the trading of NEI shares ordered by Mr Terry Harrison, NEI chairman. Smith New Court, securities house, purchased the shares for Rolls-Royce, rather than through its own broker, Hoare Govett.

A large proportion of the shares appear to have been bought at the end of last week.

Mr Harrison said yesterday that "until such time as Rolls-Royce makes its intention clear, the company has no further comment to make."

Analysts were suprised at the investment because of NEI's financial weaknesses and its different product range from that of Rolls.

Also, its position in European power generation equipment supply is very small and it is becoming increasingly dependent on Mitsubishi of Japan for technology.

Analysts could see some benefits to Rolls from a link with NEI, however. They speculated whether the timing of the purchases might be linked to reports last week that none of the three large coal-fired power stations planned for the UK will be built and that, instead, there will be growing dependence on smaller gas turbine powered and combined cycle stations.

Citicorp team defects

By Clive Wolman in London

THE HEAD and deputy head of the 50-strong UK equity market-making team at Citicorp Scrimgeour Vickers, Mr Terry Connor and Mr Bob Wade, quit yesterday to join the small team being built up by merchant bank Robert Fleming.

Their surprise departure follows a wave of defections from CSV earlier this year following cost-cutting controls imposed by its US parent bank.

The two men joined CSV in 1986 from the jobbing firm, Bisgood Bishop, when it was acquired by County NatWest and brought a team with them.

This time, however, Citicorp has told them that their legal obligations as directors of CSV prevent them from recruiting any of their colleagues, at least in the immediate future.

Mr Connor has been replaced as head of market-making by Mr Martin Burton, director responsible for derivative products and sales.

US computer group plans Scottish plant

By James Buxton, Scottish Correspondent

SUN MICROSYSTEMS, rapidly expanding Californian producer of computer workstations, is to locate its first manufacturing plant outside the US in Scotland. The $20m plant is to be built at Linlithgow in West Lothian and will employ 300 people by 1991.

Sun, founded in 1982, is reckoned to have the largest single share of the world market for technical workstations, which are sophisticated desktop products used to manipulate data and graphics.

It recently overtook its rival, Apollo, in market share and in the year to June 30 1988 achieved sales of $1.05bn, compared with $538m in the previous year.

Sun will use its plant at Linlithgow to manufacture a range of desktop products for the European market.

The company, which started a sales operation in Britain in 1984, is building up sales teams in other European countries. It supplies major European high technology companies.

Mr Darryl Barbe, Sun's general manager for Europe, said in Edinburgh yesterday that the Scottish plant will enable Sun to meet its European customers' needs with more flexibility. It would also enable the company to incorporate a greater European content into its products.

Mr Barbe said the company was now considering a research and development facility in Europe.

The company was likely to expand the Linlithgow facility and establish plants in other countries as its European sales increased, he said.

Sun investigated possible sites in several European countries, including France, West Germany and Ireland.

Mr Ian Bell, who will manage the new plant, said Scotland had an "abundance of talent" in electronics manufacturing which could not be matched by other European countries.

INTERNATIONAL CAPITAL MARKETS

Treasuries prove robust despite further $ slide

By Janet Bush in New York and Stephen Fidler in London

US TREASURY bonds proved surprisingly robust yesterday in the face of another slide in the dollar, which prompted central bank intervention on foreign exchanges.

At midsession, bonds were quoted unchanged at the short end of the yield curve and about ⅛ point higher at the long end. The Treasury's benchmark long bond stood ¼ point higher for a yield of 8.78 per cent.

This performance was rather impressive, given the dollar's dip below Y125, regarded as the level which Group of Seven central banks want to defend.

The Bank of Japan was reported to have intervened intermittently throughout the Tokyo session to support the dollar and, in New York, the US Federal Reserve Board was believed to have come in to buy dollars at least twice during the morning session.

This intervention lifted the dollar/yen rate back up to Y125.65 at midsession. The D-Mark was quoted at DM1.7825, compared with an earlier low of DM1.7640.

The presence of the central banks and the dollar's rally helped bonds in spite of bearish sentiment remaining about the US currency, particularly worrying with the quarterly refunding auctions coming up next week.

There is some nervousness that a vulnerable and volatile dollar will put off foreign investors, particularly Japanese institutions. The details of the auction are due to be announced tomorrow.

There are a number of interesting focuses for the bond market this week.

One is the Federal Open Market Committee's meeting to review monetary policy. Opinion on where interest rates are headed is fairly well balanced at the moment, with a broad consensus that there will no change, at least for the time being.

On Friday, the October unemployment report could be crucial for the near-term direction of the market.

GOVERNMENT BONDS

SOME semblance of calm returned to the West German government bond market yesterday.

Although prices fell back from the early highs, they remained underpinned by a decision by the ruling coalition parties not to levy withholding tax on accrued interest. This would allow the practice of bond washing, allowing foreign buyers to escape tax by selling bonds before the coupon is paid and buying them back after the coupon payment.

On Wednesday, some DM36.2bn drains from the banking system due to the maturity of two repurchase agreements. Yesterday, the Bundesbank announced a two-tranche variable-rate repurchase agreement to replace the two maturing agreements, one of which was fixed and the other variable.

PRICES of UK government bonds drifted up to a ¼ point lower with the market quiet ahead of today's Autumn Statement. The statement, one of the key economic addresses in the Chancellor of the Exchequer's calendar, will contain details of the Government's spending plans and new official forecasts for various economic indicators, including inflation.

THE Canadian government bond market weakened by up to ⅛ point after a good showing by the opposition Liberal party in televised debates ahead of the November 21 elections.

The Liberal platform rejects the US-Canada free trade agreement, hence the weakness in bond prices and the Canadian dollar.

MANY centres in continental Europe will be closed for All Saints Day today, as were the French and Irish markets yesterday. Irish gilt prices fell by a point on Friday after the Dublin Government announced it would end exchange controls from the start of the new year.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	110-27	-7/32	10.05	10.11	10.19
		8.750	8/97	95-10	-2/32	9.54	9.65	9.84
		9.000	10/08	100-16	-2/32	8.94	9.04	9.19
US TREASURY*		9.250	8/98	103-21	+2/32	8.68	8.83	8.92
		9.125	5/18	103-18	+8/32	8.78	8.94	9.03
JAPAN	No 105	5.000	12/97	102.1602	-0.395	4.66	4.65	5.01
	No 2	5.700	3/07	107.9478	+0.208	4.88	5.02	5.21
GERMANY		6.500	5/98	101.5250	-0.175	6.31	6.40	6.56
FRANCE	BTAN	9.000	7/93	102.2641	-0.002	8.37	8.58	8.61
	OAT	8.500	6/97	100.0000	-	8.48	8.73	8.73
CANADA*		9.500	10/98	98.5000	-0.325	9.89	9.74	9.98
NETHERLANDS		6.500	7/98	101.7750	+0.100	6.29	6.26	6.49
AUSTRALIA		12.500	1/98	103.2235	+0.028	11.90	11.74	11.91

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 31

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.16
Amer. Brands 8⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.68
A/S Eksportfinans 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.84
A/S Eksportfinans 7¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.85
Barc. Bk. Fin. 10⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.14
B.F.C.E. 7 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.86
British Telecom 7⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.10
Cal.Natl.Telecom 8½ 93	160	†97½	98	0	+0⅝	9.13
Canada 9 96	1000	100¼	100½	+0⅛	+0⅛	8.94
Canadian Pac 10¼ 93	100	†103	104	+0¼	+0¼	9.74
C.C.C.E 7⅞ 91	113	†96	96½	0	+1	8.60
C.C.C.E 9¼ 95	300	100¾	100⅞	+0¼	+0⅜	9.10
C.N.C.A 9⅞ 93	150	100¾	101⅜	—	—	6.13
Credit Lyonnais 9 91	200	100⅞	101	0	+0⅝	8.65
Credit National 8¼ 93	200	97½	98	+0¼	+0¼	8.86
Credit National 7⅞ 92	100	95⅜	95⅞	0	+0⅞	8.86
Credit National 7¼ 91	150	95¾	96¼	+0⅛	+0¼	8.75
Dai-Ichi Kan 9⅝ 92	150	101⅝	102⅛	+0⅛	+0¼	9.02
Denmark 7⅛ 92	500	94¾	95¼	0	+0⅝	8.89
E.E.C. 7 91	100	95¼	95½	0	+0⅜	8.81
E.E.C. 7¼ 93	250	94	94½	0	+0⅞	8.92
E.E.C. 8 90	350	98⅞	99⅛	-0⅛	0	8.68
E.I.B. 7⅝ 93	100	95⅛	95¾	+0¼	+1	8.74
E.I.B. 9⅛ 97	150	†100¾	101¼	+0⅝	+0½	9.19
Elec. De France 9 98	200	98⅛	98⅝	0	+0⅝	9.25
Finland 7⅞ 97	200	92	92⅜	0	+0¼	9.27
Finland 7½ 93	200	94⅜	94⅞	+0⅛	+0⅝	8.90
Finn. Exp. Cd. 8½ 92	200	98½	99	0	+0½	8.91
Ford Motor Credit 8 91	250	97⅝	98⅛	0	+0¼	8.99
Gen Elec Credit 10¼ 00	200	100⅜	100¾	+0⅛	0	10.16
G.M.A.C. 8 89	250	99⅜	99⅞	0	+0½	0.08
Gen. Mtrs. Corp. 9⅛ 92	200	100¼	100⅝	0	+0¼	8.97
Halifax BS 9½ 93	200	†100⅞	101⅜	+0⅜	+0½	9.17
Hoesch 8¼ 97	100	†93½	94	0	+0⅝	9.34
Italy 9 90	1000	101⅛	101⅝	0	+0¼	8.18
L.T.C.B of Japan 8 91	100	97⅜	98⅛	+0⅛	+0⅜	8.76
L.T.C.B. of Japan 8 97	200	91⅞	92⅜	+0⅛	+1	9.41
Mercds-Benz Cd. 8½ 95	100	†97⅛	97⅜	0	+0⅞	9.02
Metropolis Tokyo 9½ 93	200	102¼	102¾	+0⅛	+0⅜	8.74
Morgan Guaranty Tst. 7 90	150	97⅞	98⅛	0	+0½	8.66
Norway 8¾ 93	500	99¾	100¼	+0⅛	+0⅝	8.72
Pepsico Inc 7⅞ 93	200	†93¾	94¼	0	-0¼	9.02
Portugal 8¼ 91	300	98⅜	98⅞	+0⅜	+1	8.87
Prudential Crp. 8¾ 94	125	99¾	100⅛	0	+0⅜	8.73
Qantas Airways 10⅛ 95	140	105¼	105¾	+0⅛	+0⅝	9.22
Saskatchewan 10¾ 92	100	104⅝	105⅛	0	+0¼	8.96
State Bk S Aust 9¼ 93	100	100⅜	100¾	0	+0⅜	9.08
Swed Exp Cred 7¼ 91	100	†95¼	95⅝	0	+0¼	9.09
Swed Exp Cred 10 92	100	†103	103½	0	+1¼	8.87
Sweden 7 91	250	95⅝	96⅛	0	+0⅝	8.64
Sweden 7 92	250	†95	95½	0	+0¼	8.70
Sweden 8¾ 96	200	98	98½	+0⅛	+0⅝	9.07
Sweden 8½ 92	200	†99½	100	0	+0½	8.56
Victorian Rep 11⅝ 92	150	106⅞	107¼	0	-0⅛	9.15
World Bank 7 92	300	†94¾	95¼	0	+0¼	8.82
World Bank 9 97	300	—	—	—	—	—
Yasuda Trust Fin 8½ 93	100	97⅝	98⅛	0	+0⅝	9.06

Average price change... On day +0⅛ on week +0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101¾	102¼	-0¼	0	5.60
Avis Fin.SVS 5⅞ 92	100	100¾	101¼	+0⅜	+0⅜	5.53
Bank of Tokyo 5⅞ 93	100	101	101½	-0¼	+0¼	5.41
Central BK. Turkey 7 92	200	103¾	104¼	-0⅛	+0¼	5.83
Commerzbank o/s. 5⅜ 93	300	100	100½	+0¼	+0⅝	5.30
Degussa Int. 6⅛ 97	200	99⅞	100⅜	+0⅛	+0¼	6.10
E.I.B 5½ 98	150	96½	97	+0⅛	-0⅛	5.95
E.I.B 6 97	300	99¼	99¾	0	-0⅜	6.07
E.I.B. 6⅛ 96	300	100¼	100¾	-1¼	-1¼	6.03
E.I.B. 6⅛ 97	400	100¼	100¾	-0½	-0⅝	6.04
E.I.B. 6⅞ 95	300	105¼	105¾	0	-0¼	5.90
Euro.Coal& Steel 5⅞ 97	175	†98½	99	-1	-1	6.06
Eurofima 6¼ 96	100	101½	102	+0⅛	-0¼	5.95
Elec De France 5⅞ 97	300	98½	99	-0⅛	+0⅛	5.93
Forsmark Krtg. 5⅛ 93	200	98⅜	98⅞	-0⅜	+0⅝	5.48
I.A.D.B. 6 97	200	99½	100	-0½	-0½	6.03
Japan Dev. Bk. 5⅜ 95	300	†98	98½	0	-0¼	5.70
Japan Finance 5¾ 97	100	97¼	97¾	-0¼	-0⅜	6.14
Ireland 6½ 97	300	101	101½	-0¼	-0⅜	6.30
Korea Dev BK 6⅜ 93	100	102½	103	-0¼	-0¼	5.91
Malaysia 6¼ 94	150	99½	100	0	-0¼	6.29
Nat. West BK. PLC 6 98	300	†98	98½	+0⅛	0	6.24
Nippon Telg.&Tel. 6 95	400	†101	101½	-0½	-0⅜	6.01
Oesters. Kontbk. 5 93	300	99	99½	-0⅜	-0¼	5.19
Portugal 5⅝ 92	150	100⅜	100⅞	0	0	5.55
Portugal 6⅝ 95	150	102¾	103¼	0	+0⅝	6.06
Privatbanken 5¼ 93	150	98½	99	+0⅛	+0⅝	5.57
Royal Insurance 5½ 92	300	101	101½	+0⅜	+0½	5.08
Soc Cent Nuclear 7¼ 95	150	103⅝	104⅛	0	-0⅜	6.51
Turkey 6½ 95	500	†97½	98	-0⅛	-0⅛	6.93
Westlb. Finance 5 93	200	*†98⅞	98⅞	0	0	5.29
World BK. 6¼ 97	600	101¼	101½	0	-0⅜	5.97

Average price change... On day -0⅛ on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101¼	101¾	-0⅛	-0¼	4.76
Asfinag 5 03	100	†101	101¾	0	-0¼	4.87
B.F.C.E. 4½ 98	200	†99	99¼	0	+0¼	4.61
B.M.W.Fin.Neth. 5 13	150	†96½	97	-0⅛	+0¼	5.24
Britannia B/S. 4¾ 94	100	†97½	98	-0⅛	0	4.71
CIR. Int. W/W 3 93	125	†101½	102	0	+0⅛	2.68
Credit Lyonnais 4¾ 00	100	†97¼	98	-0¼	-0⅛	4.99
E.I.B 4⅝ 96	150	†99⅛	99⅝	-0⅛	-0¼	4.69
Fletcher Chall. 4⅞ 98	150	†97	97½	0	+0¼	5.25
Kobe City 4⅝ 98	150	†99¼	99½	0	+0¼	4.70
Leeds Perm. B/S. 4⅛ 93	200	†98	98¼	+0¼	-0⅛	4.59
Malaysia 5¼ 98	100	†98	99	-0⅛	+0¼	5.45
Maxwell Comm.Crp. 5 95	150	†101	101¾	-0⅛	-0¼	4.75
Nationwide Ang.B/S. 4 93	200	†97	97½	-0⅜	-0½	4.67
Nippon Telg.&Tel.4¼ 95	200	†98½	99	-0½	-0¼	4.46
Oesters.Ktbk. 5 03	75	†100	100½	+0½	+0¼	4.97
Rep. National Bk. 4 93	150	†97	97½	+0⅛	+0¼	4.31
Thailand 4⅝ 95	200	†96¼	96½	0	+0¼	5.28
World Bank 5 03	150	†100	100¼	0	-0¼	4.99

Average price change... On day -0⅛ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102½	102¾	+0¼	+0½	4.66
Belgium 4⅝ 94	45	98¼	98⅝	0	+0¼	4.96
Canada 4⅞ 92	80	99⅛	99⅜	-0⅛	+0⅛	4.60
Elec. De France 5⅛ 94	20	101⅛	101½	0	+0½	4.85
Ireland 5⅞ 93	30	100⅛	100⅝	-0⅛	+0¼	5.02
Norway 5¼ 95	50	100¼	101	0	+0⅝	4.96
Rep. of Italy 5⅝ 92	150	103⅛	103⅝	-0⅛	+0¼	4.57
Sweden 4⅝ 93	50	99½	99¾	0	+0⅝	4.71
World Bank 5⅛ 92	50	103¼	103½	0	+0⅜	4.53

Average price change... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS.10¼ 93 £	50	99⅜	99⅞	+0⅛	+0¼	10.33
Alg. Bk. Ned. 5½ 92 FL	150	98⅜	98⅞	+0¼	+0⅜	5.96
Alg. Bk. Ned. 5¾ 93 FL	200	98⅝	99⅛	-0⅛	-0⅛	6.04
Amro Bank 6¼ 92 FL	150	100¾	101⅜	+0⅛	+0⅛	5.94
Aust.Ind.Dev. 12⅞ 93A$	100	99⅛	99⅝	+0⅜	+0⅝	13.01
Barc. Bk. 10¼ 97 £	250	97⅝	98⅛	+0⅛	+0⅜	10.62
BP Capital 9¾ 93 £	100	97½	97⅞	0	+0⅜	10.41
British Airways 10 98 £	100	96⅛	96⅝	0	+0⅜	10.61
Behrmann-Tet. 6⅜ 93 FL	100	100½	101⅛	+0⅛	+0¼	6.18
C.I.B.C.Mort.10¼ 93 C$	100	†100¾	101¼	+0¼	+0⅜	10.42
Comm. Bk. Aust. 12⅝ 93A$	100	96⅞	97⅜	+0¼	+0¼	13.42
Coop.Ctr.Rabo.6¼ 93 FL	100	101	101⅝	-0¼	-0⅜	5.90
Coop.Ctr.Rabo.6 92 FL	200	100⅜	101¼	-0⅜	-0½	5.76
Denmark 7¾ 92 ECU	100	103¼	103¾	+0⅛	+0½	6.50
Dbrons 11 95 £	90	†99¼	99¾	0	+0¼	11.36
Deut. Bk. Aust. 12⅞ 95 A$	70	100⅛	100⅝	+0⅛	-0¼	12.62
Eastman Kodak 13 90 A$	100	97⅜	98	-0⅜	-0⅜	14.49
E.I.B. 7 96 LFr	100	†97¾	98¼	0	0	7.31
Elec.France 10¼ 95 C$	125	†100⅝	101⅛	0	+0⅜	10.04
Euratom 7⅞ 97 ECU	145	97⅞	98⅜	+0¼	+0⅜	7.69
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†99	99½	-0¼	-0½	9.97
Ford Cr.Can.10¼ 93 C$	100	†101½	102	-0⅛	-0⅛	10.19
Gillette Can. 9⅝ 93 £	70	94⅝	95¼	0	+0⅝	11.06
G.M.A.C. 9¾ 93 C$	150	†98¼	98¾	+0¼	+0⅛	10.15
G.M.A.C. 9¼ 92 C$	75	†95½	96½	+0½	+0½	10.62
G.M.A.C Aus. Fin.14 90 A$	50	100	100⅜	+0⅛	-0¼	13.78
Halifax BS 10⅛ 97 £	100	98⅛	98⅝	+0⅛	+0¼	10.66
Imp Chem Inds 10 03 £	100	96¾	97¼	+0¼	+0⅜	10.39
Inv.Industry Int.10 93 £	60	97⅜	97¾	0	0	10.70
Lloyds Bank 10¼ 98 £	150	96¼	96¾	-0⅛	+0½	10.84
Montreal Tst.10¾ 93 C$	100	†101	101½	0	+0½	10.37
Nat. West. Bk.13⅛ 92 A$	50	†99¾	100¼	0	+0¾	13.11
Nationwide BS 10⅛ 93 £	75	97½	98⅛	+0¼	+0⅛	10.75
Ned.Midd.Bank 6 92 FL	150	99¾	100½	-0⅛	+0⅛	5.94
New Zealand 9½ 93 £	100	96	96½	-0⅛	+0¼	10.56
New Zealand 7¼ 93 ECU	200	100⅝	101⅛	+0⅛	+0⅜	7.49
Oesters.Ktbk.13⅝ 94 A$	75	102	102⅜	+0¼	0	13.05
Philips Gleoil. 6 93 FL	300	100½	101	-0⅛	0	5.81
Prudential Fin.9⅝ 07 £	150	91½	92⅛	+0¼	+0⅞	10.38
Royal Bk.Scot.10⅛ 98 £	125	98⅛	98⅝	-0⅛	+0⅜	10.94
Saskatchewan 9⅞ 91 C$	150	†99½	100	0	0	9.94
S.D.R. 7¾ 95 ECU	90	†100⅛	100⅝	+0¼	+0½	7.66
World Bank 5¾ 92 FL	100	99½	100¼	0	-0⅛	5.82
World Bank 13⅛ 92 A$	100	†100⅜	100⅞	+0¼	+0⅛	13.09
Zentrspk. 13¼ 93 A$	75	98½	99	-0⅛	0	13.59

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. 8/d 94 £	.08	99.65	99.70	21/01	10.99
Belgium 91 US	0	100.41	100.51	21/02	9
Britannia 5 93 £	0⅛	99.85	99.90	10/01	12.12
Chase Manhattan Crp.91 US	0⅜	99.62	99.80	22/02	8.94
Citicorp 98 US	10¼	97.65	97.90	30/11	8.94
Credit Foncier 98 US	.063	100.02	100.12	20/10	5¼
EEC 3 92 DM	†0	101.20	101.30	22/02	5.63
Halifax BS 94 £	.1	99.88	99.93	9/11	11.16
Inst. In Industry 94 £	0	100.04	100.14	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	99.98	100.03	13/01	10.44
Midland Bank 01 £	.1	95.87	96.88	11/02	11.41
Milk Mkt. Brd. 5 93 £	-0⅛	99.86	99.91	30/12	12.06
New Zealand 5 97 £	.07	100.08	100.18	18/11	11.62
New Zealand 5 01 US	0	99.93	100.03	4/02	8.62
State Bk. New. 98 US	.188	100.51	100.61	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.83	99.88	13/01	12.12
Woolwich 5 95 £	0⅛	99.77	99.81	21/11	11.62

Average price change... On day +0.00 on week +0.03

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	105⅝	106⅝	-0⅛	15.94
Alco Health 6¼ 01 US	17/86	26.25	92	94	-3	3.88
Amer. Brands 7¼ 02 US	9/87	56.7	106⅛	107⅛	+0⅞	8.68
Ashikaga Bank 2⅛ 02 US	4/87	967.	136⅞	138⅛	+2	5.17
Asics 5 92 DM	12/83	472.7	192¾	193¾	+1½	9.63
CBS. Inc. 5 02 US	4/87	200.	94¼	95¼	+0¼	8.83
Fujitsu 3 99 US	5/84	1106.	236⅛	237⅛	+7⅛	3.27
Land Secs. 6¼ 02 £	6/87	6.72	96¾	97¾	+0½	11.71
MCA Inc 5½ 02 US	9/87	69.62	83¼	84¼	+1⅝	20.62
Minolta Camera 2¼ 94 DM	2/86	1004.	97⅛	97⅞	+0½	25.59
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	119⅞	120⅞	+1¼	4.33
Mitsui Trust 2½ 01 US	10/86	1903.	136⅞	138⅛	+2⅞	8.63
Next Plc 5¾ 03 £	11/87	4.3	100¾	101¾	+0¼	139.51
Nishi Nipp. Bk 2⅞ 03 US	4/88	804.	105⅞	106⅞	-0¼	7.45
Onoda Tateisi 2⅞ 02 US	4/87	1310.	177⅞	179	+7⅞	4.40
Primerica 5⅞ 02 US	4/87	66.75	66	67	0	53.06
Ranks Hovis 4⅞ 03 £	1/88	3.5	115	116	+0¼	6.10
Redland 7¼ 02 £	1/87	5.4	93⅛	94⅛	-0¼	13.56
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	99¼	100¼	0	22.81
Texas Inst. 2¾ 02 US	9/87	82.87	73⅛	74⅛	+0¼	60.57
W.R. Grace 6¾ 02 US	9/87	42.12	83⅛	84⅛	-1¼	32.28

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

GECC invitation for bids catches dealers off guard

By Norma Cohen

GENERAL Electric Credit took the Eurobond markets by surprise late yesterday, telephoning several leading houses and inviting bids on a five-year $500m deal, the first big deal for a US industrial borrower since prices collapsed last week.

With RJR Nabisco's mammoth planned leveraged buy-out and the merger of Philip Morris and Kraft, even the largest US corporates now appear vulnerable to the kind of activities that could send their credit ratings on a downward spiral. While US corporate bond prices have suffered more deeply from investor anxiety, Eurobond investors are clearly troubled by the implications of the latest round of LBOs.

Therefore, dealers said, when GECC called at 3:00pm (London time) yesterday offering seven or eight firms just one hour to submit a bid, several understandably balked.

Ultimately, market sources said the deal went to Goldman Sachs, although the firm declined comment.

The issue is said to be carrying a 9 per cent coupon and priced at 101⅞ to yield 43 basis points over US Treasuries at the time of launch.

While most other bidders were said to have offered spreads of 47 to 48 basis points over Treasuries, the deal is viewed as in line with existing issues.

For instance, parent company General Electric issued a $500m five-year Eurobond in September at 40 basis points over Treasuries. While the spread on that deal widened out considerably on LBO-mania last week, it has since recovered.

According to one Eurobond underwriter who declined to bid for the mandate, it was the timing of GECC's offer that was unsettling. After all, several Continental centres – including Paris, Brussels and Luxembourg – are closed today for All Saints day, making it difficult to place new paper.

INTERNATIONAL BONDS

Furthermore, while GECC is one of a handful of US industrials considered by market professionals to be virtually immune to a LBO or a merger, it is not clear that investors see it that way.

"The jury is still out," the underwriter said, adding that it would take considerably more than the one hour GECC offered to be able to assess investor views.

Mr Stephen Oristaglio, head of fixed-income trading at SBCI Securities, said that while Eurobond prices appeared to have recovered from the LBO panic, the true impact might not yet have been felt. While Eurobond investors were more likely to be retail, holding no more than a few bonds of each issue, US corporate bond investors were probably institutions holding huge chunks of individual issues.

So far there has not been massive selling of US corporate bonds by institutional investors, partly because bid/offered spreads have widened out to as much as 75 basis points from the more typical 25 basis point level. Mr Oristaglio said this had probably acted as a bar to wholesale selling.

But if spreads narrow, institutions may rethink their decision to hold on to bonds. "It makes for a potentially dangerous situation (for Eurobonds) if fund managers decide to restructure their core holdings of industrials," he said.

Among other new issues, Swedish Export Credit issued a $70m one-year Eurobond bearing a 8⅛ per cent coupon and priced at 100.825 to yield 33 basis points over Treasuries.

The issue, much smaller than is typical for the borrower, is intended to refinance an existing issue which, as of yesterday, had not been announced for call. Lead manager is Morgan Stanley.

German SE processing centres to merge

By Haig Simonian in Frankfurt

AFTER SEVEN years of intermittent talking, West Germany's two stock exchange data processing centres, the Düsseldorf-based Betriebsgesellschaft Datenverarbeitung für Wertpapiergeschäfte (BDW) and the Börsen Daten Zentrale (BDZ), based in Frankfurt, are to merge.

The move should be an important step towards a more efficient securities processing system in Germany.

According to an agreement signed in Frankfurt yesterday, the BDZ, which handles business for the Frankfurt, Hamburg, Bremen and Hannover bourses, is changing its name to the Deutsche Wertpapierdaten-Zentrale (DWZ).

The DWZ will then effectively take over the BDW, which is responsible for transactions processing for the Düsseldorf, Berlin, Stuttgart and Munich bourses.

The merger is due to take place by the year-end. The DWZ will be jointly owned by the shareholders of the two existing centres.

While the decision marks an important step in improving competitiveness of the German market, many details are unclear. In particular, no decision has yet been reached on plans to modernise and integrate the computer systems at the two existing centres, which are incompatible.

Deutsche Bank in Seaq move

By Stephen Fidler

DEUTSCHE BANK Capital Markets, whose parent is the dominant dealer in the West German stock market, yesterday began making a market in German shares on the London Stock Exchange's Seaq International service.

Deutsche's long-expected move, which makes it the first German bank to make a market in West German stocks in London, means it will quote prices in London on 11 of the 13 German stocks quoted on Seaq.

Waging war in interest rate arena

Deborah Hargreaves on initiatives in Chicago to win back investors

Chicago is confident short-term interest rates can capture the imagination and hearts of those investors who turned away from stock indices after last year's market crash.

The Chicago Mercantile Exchange's Eurodollar futures contract has grown rapidly in the past year and its open interest – the number of contracts outstanding – reached more than half a million lots in August, making it the largest open interest for any futures contract in the world.

Spurred on by the feverish activity in Eurodollars, which are used by leading banks to hedge against short-term interest rate risk, the Chicago Board of Trade – the CME's LaSalle street rival – has applied to amend its own dormant Eurodollar futures in a bid to compete.

The CBOT, whose Treasury bond futures contract is the dominant market for long-term interest rate hedges, listed Eurodollars about five years ago. But after posting few trades for several years, the exchange is now seeking to reactivate it with its specifications amended to match more closely those of the cash-settled contract at the CME.

Although this is unlikely to draw much business away from the CME's own highly liquid contract, it is part of a broader war between the two exchanges in the lucrative interest rate arena.

For its part, the CME has countered this month's launch of a new 30-day interest rate futures contract at the CBOT with its own plans for a similar product based on the daily Federal funds rate – the rate at which the Federal Reserve lends money to key banks on an overnight basis.

The exchanges claim that this interest in futures contracts based on the Fed funds rate, which is set daily by the Federal Reserve Bank of New York, reflects growing institutional concern about short-term rates as the funds have become more volatile.

The Fed fund products mark a bold attempt by Chicago's futures exchanges to encourage hedging for what is a huge cash market between banks. But the short-term contract is a new concept and is expected to take some time to gain acceptance.

So far, the CBOT's 30-day contract has got off to a slow start and is trading a meagre 200 to 300 lots a day. This has been against the background of a stubbornly stable funds rate as the Federal Reserve steadies monetary policy ahead of the US presidential election.

Mr Jim Dowd, vice-president at Bankers Trust in New York, says he has used the contract for hedging and is waiting to see what the long-term response from traders will be. He believes it is useful in adding to the spectrum of interest rate products, none of which previously had a duration shorter than three months.

While these shorter-term vehicles could take some time to become established in the market, the CME is looking at expanding the reach of its busy Eurodollar futures. The exchange is considering listing contract months that reach for five years ahead, instead of the current three.

Such a move may bring Eurodollars into competition for business with the five-year Treasury note futures contract that started up at the CBOT in May.

The CME insists the change would be made at the prompting of key banks which want to hedge their interest rate swaps for up to five years. However, it wants to avoid draining liquidity from existing contract months and is still considering the proposal.

Part of the surge of interest in Eurodollar futures has been the exponential growth in the cash interest rate swap market, where business has grown to surpass $1,000bn. The need to hedge these transactions has drawn leading international banks to the Windy City's futures pits.

In addition, a long-term trend away from fixed-rate loans towards floating rates has attracted large numbers of fund managers seeking to hedge their exposures in futures. This has been accompanied by general uncertainty about US interest rates, as well as the direction of the dollar.

Investors hedge on interest rate risk by trading the so-called Ted spread – the relationship between three-month Treasury bill futures and Eurodollars.

After the stock market crash, the exodus of locals – traders that deal for their own account – from the CME's stock index futures pit turned partly into a migration to Eurodollars.

Ms Karen Gibbs, who watches the market for Chicago brokerage firm Dean Witter, believes Eurodollar futures is a clean, efficient market that has attracted many professional traders.

The fact that Eurodollars is settled in cash and has built a deep liquidity among international banks makes it a popular contract to trade. Indeed, the contract has long since overtaken the exchange's former flagship – the Standard & Poor's 500 index futures – as its volume leader.

US bank in LBO fund switch

By Norma Cohen

CONTINENTAL ILLINOIS, the US bank, added another twist to the market for asset-backed securities by removing $140m worth of corporate loans used to fund leveraged buy-outs from its own balance sheet and packaging them into bonds.

The technique is similar to that used to securitise home mortgages, auto loans and credit card receivables. But it has never been applied to the kind of speculative funding that goes into such highly leveraged deals.

Mr Michael Woodhead, senior director at Continental Illinois, said the bank viewed the securities as a means of reaching a new class of investor whom it does not normally count as a customer, rather than as an exercise in balance-sheet reduction. He conceded that they were a significant expense for Continental.

He was also sceptical the technique would be applied to the kind of mammoth financings required for, say, RJR Nabisco's recently announced LBO. Nor does he believe the technique will be effective in helping remove a significant portion of speculative grade loans from banks' balance sheets. However, it goes some way towards spreading the risks of financing LBOs.

The securities also differ from LBO funds offered by Manufacturers Hanover Trust and Drexel Burnham Lambert in that investors are buying pieces of LBOs that have already been made, rather than investing in prospective LBOs.

This offers greater protection through diversification of borrowers and by passing on the benefits gained from restrictive loan covenants.

The securities – offered via a special purpose company, Frends BV and as Eurobonds – are free of withholding tax to non-US investors. The class A tranche consists of $120m of floating-rate notes priced to yield about 80 basis points over London interbank offered rates (Libor) and a class B subordinated tranche paying 300 to 350 basis points over Libor.

While both tranches are officially eight-year debt, the expected average life of the class A tranche is likely to be less than two years while the class B tranche will pay off in under four years.

Correction

US Money and Credit

TWO PASSAGES in yesterday's US Money and Credit column were garbled during the printing process. These should have read:

Mr Wayne Gantt, economist with SunTrust Banks in Atlanta, Georgia, believes there will be a major test of the dollar downside after the election as markets finally react to worrying trends in the trade balance.

Mr Philip Braverman, of Irving Securities, comments: "The spread between Treasuries and Japanese bonds with comparable maturities is some four percentage points, typically wide enough to attract strong Japanese buying in periods of relative dollar stability and the absence of Japan bashing."

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Frends BV(a)‡♦	120	80bp	100	1996	No fees	Continental Illinois
Frends BV(b)‡♦	20	350bp	100	1996	No fees	Continental Illinois
Swedish Export Credit♦	70	8⅛	100.825	1989	⅛/⅛	Morgan Stanley
Final terms fixed on:						
Tobu Store(a)♦	100	5	100	1992	2¼/1½	Yamaichi Int. (Eur)
STERLING						
Northern Rock B.Soc.♦	40	11⅞	101¼	2000	2¼/1½	Baring Brothers
SWISS FRANCS						
Kyushu Elec. Power♦	200	4½	100½	1995	n/a	SBC
Atlas Copco★♦	100	4⅝	101¼	1993	n/a	UBS
Final terms fixed on:						
Ikegami Tsushinki(b)★♦	100	½	100	1994	n/a	Nomura Bank (Switz)
K'saki Kasei Chem(c)★♦	30	½	100	1994	n/a	SBC
Toyo Chemical(d)★♦	25	½	100	1993	n/a	Bqe Paribas (Suisse)
YEN						
State Bk Victoria♦	10bn	7	101⅜	1992	1⅝/1	Daiwa Europe
C. Itoh & Co.(America)♦	10bn	7	101⅞	1992	1⅝/1⅛	Daiwa Europe
C. Itoh Fin.(Europe)♦	10bn	5	101⅞	1992	1⅝/1⅛	Yamaichi Int. (Eur)
San-Paolo di Torino(e)‡♦	6bn	-55bp	100¼	1993	50/30bp	LTCB Int.

★Private placement. ♦With equity warrants. §Convertible. ‡Floating rate note. ♦Final terms. a) Coupon fixed as indicated. Put options fixed: b) 31/3/91 at 108⅞ to yield 3.782%. c) 31/3/91 at 108⅞ to yield 3.834%. d) 31/3/91 at 108⅞ to yield 3.805%. e) 55bp below Japanese long-term prime rate. f) 80bp over Libor. g) up to 350bp over libor.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Oct 31 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Oct 28 Index No.	Thu Oct 27 Index No.	Wed Oct 26 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (210)	825.28	+0.2	10.49	4.08	11.79	22.79	823.49	819.47	819.66	787.46
2	Building Materials (28)	1049.66	+0.4	11.59	4.26	10.65	28.90	1045.90	1040.66	1029.54	934.14
3	Contracting, Construction (38)	1606.86	+0.1	11.57	3.68	11.27	40.69	1605.31	1594.80	1599.63	1290.03
4	Electricals (12)	2381.78	+0.7	8.79	4.56	13.84	64.48	2365.04	2342.51	2342.38	1857.45
5	Electronics (29)	1776.99	+0.8	10.00	3.53	12.86	42.54	1763.37	1761.94	1776.88	1557.92
6	Mechanical Engineering (57)	432.79	-0.1	10.08	4.14	12.17	12.69	433.18	430.26	430.77	361.75
8	Metals and Metal Forming (7)	498.37	+0.3	9.76	3.93	12.67	10.06	496.95	494.88	493.85	403.77
9	Motors (16)	285.70	-1.1	11.78	4.71	9.83	9.75	288.91	287.26	288.32	264.48
10	Other Industrial Materials (23)	1377.23	+0.1	9.62	4.44	12.28	43.06	1375.64	1367.93	1366.25	1178.99
21	CONSUMER GROUP (186)	1094.53	-0.3	9.18	3.66	13.73	22.72	1098.32	1095.69	1094.86	1023.53
22	Brewers and Distillers (21)	1153.37	-0.2	10.29	3.58	12.26	23.08	1155.58	1149.61	1151.06	949.49
25	Food Manufacturing (21)	989.49	-0.4	8.92	3.82	14.18	19.54	993.67	990.86	989.42	798.38
26	Food Retailing (16)	1914.76	-0.8	9.28	3.52	14.35	42.90	1930.88	1939.10	1924.42	2078.13
27	Health and Household (12)	1921.00	-0.6	6.75	2.56	17.10	19.40	1932.17	1929.02	1928.05	1788.98
29	Leisure (30)	1416.43	+0.4	8.64	3.63	14.84	33.95	1410.12	1406.59	1404.41	1081.47
31	Packaging & Paper (17)	560.14	-0.1	9.96	4.01	12.78	14.30	560.65	558.59	560.31	494.29
32	Publishing & Printing (19)	3479.31	-0.9	8.26	4.09	15.11	96.05	3510.76	3477.15	3469.35	3375.07
34	Stores (34)	769.49	-0.2	10.85	4.34	12.12	19.70	770.77	771.22	769.21	877.27
35	Textiles (16)	527.99		13.14	5.26	8.93	13.91	527.84	523.07	523.58	606.80
40	OTHER GROUPS (92)	920.24	-0.3	10.90	4.37	11.10	23.05	923.09	920.61	917.28	894.22
41	Agencies (19)	1096.78	+0.6	8.03	2.53	15.66	19.25	1090.71	1085.23	1087.29	1024.48
42	Chemicals (22)	1069.87	-0.4	11.09	4.76	10.87	37.79	1074.11	1071.41	1068.24	1001.50
43	Conglomerates (12)	1262.29	-0.6	10.40	4.50	11.80	25.00	1270.83	1264.66	1257.66	1181.73
45	Shipping and Transport (12)	1959.52	-0.3	11.55	4.73	11.33	50.63	1965.63	1959.13	1940.68	1773.23
47	Telephone Networks (2)	984.92		11.27	4.52	11.51	20.38	984.89	981.18	981.72	886.77
48	Miscellaneous (25)	1269.12	-0.8	11.17	4.29	10.39	37.84	1279.71	1281.09	1268.38	1157.32
49	INDUSTRIAL GROUP (488)	991.27	-0.2	10.02	3.97	12.39	23.59	993.09	989.96	988.38	898.42
51	Oil & Gas (12)	1734.31	-0.4	10.85	6.41	11.80	76.79	1741.53	1733.87	1735.97	1670.14
59	500 SHARE INDEX (500)	1054.73	-0.2	10.13	4.29	12.30	28.85	1056.99	1053.48	1052.20	963.83
61	FINANCIAL GROUP (123)	697.71	-0.1	–	5.13	–	24.46	698.64	696.17	695.84	636.39
62	Banks (8)	676.36	+0.2	20.75	6.55	6.46	31.13	675.13	675.42	676.32	636.52
65	Insurance (Life) (8)	982.74	-1.0	–	5.40	–	39.81	992.73	989.26	990.39	938.49
66	Insurance (Composite) (7)	533.45	-0.7	–	5.86	–	24.84	537.29	532.31	533.93	585.75
67	Insurance (Brokers) (7)	960.38	-1.1	9.29	6.72	13.51	45.06	971.11	964.65	962.22	890.85
68	Merchant Banks (11)	352.40		–	4.17	–	9.20	352.50	350.10	348.64	386.81
69	Property (51)	1245.09	+0.3	5.43	2.66	23.53	18.62	1241.72	1235.07	1228.04	924.84
70	Other Financial (31)	375.61	+0.2	10.21	5.30	12.31	11.75	374.94	375.10	375.08	411.47
71	Investment Trusts (77)	937.05		–	3.11	–	16.97	936.49	935.02	935.14	839.94
81	Mining Finance (2)	559.05	+0.3	10.93	3.74	10.19	15.67	557.28	549.83	554.04	404.41
91	Overseas Traders (8)	1375.05	+0.5	9.05	4.46	12.82	41.34	1367.92	1355.84	1363.15	934.45
99	ALL-SHARE INDEX (710)	965.54	-0.2	–	4.39	–	26.71	967.24	963.84	963.02	876.00

	Index No.	Day's Change	Day's High	Day's Low	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Year ago
FT-SE 100 SHARE INDEX ♦	1852.4	-6.0	1860.8	1846.6	1858.4	1852.1	1850.7	1847.8	1848.4	1723.7

FIXED INTEREST

	PRICE INDICES	Mon Oct 31	Day's change %	Fri Oct 28	xd adj. today	xd adj. 1988 to-date
	British Government					
1	5 years	120.24	-0.09	120.35	–	9.71
2	5-15 years	138.11	-0.06	138.19	–	11.51
3	Over 15 years	149.67	-0.11	149.83	–	12.64
4	Irredeemables	171.08	+0.56	170.13	–	13.38
5	All stocks	135.07	-0.07	135.16	–	11.13
	Index-Linked					
6	5 years	130.88	+0.21	130.61	–	1.81
7	Over 5 years	128.58	+0.54	127.89	–	2.96
8	All stocks	128.55	+0.51	127.90	–	2.85
9	Debentures & Loans	118.26	+0.15	118.35	0.26	9.67
10	Preference	88.93	-2.24	91.27	-0.30	5.38

	AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 31	Fri Oct 28	Year ago (approx.)
	British Government				
1	Low	5 years	9.55	9.54	8.69
2	Coupons	15 years	9.15	9.13	9.24
3		25 years	8.85	8.85	9.05
4	Medium	5 years	9.95	9.91	9.33
5	Coupons	15 years	9.37	9.36	9.43
6		25 years	9.07	9.08	9.27
7	High	5 years	10.06	10.03	9.39
8	Coupons	15 years	9.50	9.50	9.59
9		25 years	9.11	9.12	9.29
10	Irredeemables†		8.79	8.84	9.00
	Index-Linked				
11	Inflation rate 5%	5yrs	2.68	2.76	3.27
12	Inflation rate 5%	Over 5 yrs	3.56	3.60	4.41
13	Inflation rate 10%	5yrs	1.55	1.62	3.43
14	Inflation rate 10%	Over 5 yrs	3.39	3.43	4.44
15	Debs &	5 years	11.65	11.59	11.14
16	Loans	15 years	11.01	11.01	10.84
17		25 years	10.69	10.70	10.84
18	Preference†		10.10	9.88	10.85

♦Opening Index 1859.1; 10 am 1860.6; 11 am 1855.5; Noon 1856.0; 1 pm 1849.5; 2 pm 1849.1; 3 pm 1850.1; 3.30 pm 1846.6; 4 pm 1850.1
† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	22	73	16
Corporations, Dominion and Foreign Bonds	11	4	36
Industrials	425	347	817
Financial and Properties	160	135	374
Oils	17	39	49
Plantations	2	0	11
Mines	37	49	103
Others	52	97	110
Totals	726	744	1,516

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
-	F.P.	-	88	83	Acorn Inv. Tst £1	86	+1	-	-	-	-
-	F.P.	-	7	3	Amalgamated Fin. Wrrnts.	5		-	-	-	-
92	F.P.	-	104	99	♦Chieftain Group 5p	104	+1	R3.5	2.5	4.5	11.9
§138	F.P.	11/11	140	138	Colonnade Dev. Cap. £1	139		1.0	0.9	1.0	-
§55	F.P.	-	58	55	*Edinburgh Hibernian 2p	58		-	-	-	-
-	F.P.	-	8	7	Glasgow Inc Trust Wrrnts.	7		-	-	-	-
Ir30	F.P.	-	26	19	*Ivernia West Ir10p	19	-2	-	-	-	-
140	F.P.	25/11	168	143	♦Jeyes Group 5p	168		R4.2	2.9	3.3	10.3
§120	F.P.	16/11	128	120	Melville Group 10p	124	+1	L4.2	1.9	4.5	12.0
-	-	-	£13⅝	£11⅞	Mitsubishi Bank Y50	£13½		Q15%	6.6	2.5	6.1
¢	F.P.	-	71	68	Newmarket Venture Cap. 5p	69		-	-	-	-
§100	F.P.	-	100	100	New Zealand Inv. Tst.	100		F6.0	-	8.0	-
170	F.P.	-	178	169½	Racal Telecom 5p	170½		R1.28	4.2	1.0	30.6
§62	F.P.	-	67	64	Ralston Investment Tst.	67	+3	L1.5	-	3.0	-
118	F.P.	14/10	123	113	Ritz Design Group 5p	113		L2.0	4.3	2.4	11.2
§110	F.P.	-	126	120	♦Riva Group 10p	126	+1	L2.5	2.6	2.6	17.0
93	F.P.	8/12	98	93	SMAC Group	96	+1	R2.1	3.4	2.9	11.7
§20	F.P.	25/11	26	23	♦SWP Group	26		R0.5	2.3	2.6	17.0
§77	F.P.	-	84	77	♦Specialeyes 2p	77	-1	a1.88	1.7	3.2	20.6
§80	F.P.	3/11	109	85	♦Sunset & Vine 5p	106	+1	L2.4	3.9	3.0	13.3
§145	F.P.	-	161	146	♦Swallowfield 5p	158	-2	R5.0	2.6	4.2	10.5
§115	F.P.	14/10	128	115	Thompson Clive Invs. 50p	125	+1	-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
100.3p	F.P.	-	101p	99½p	Blackwood Hodge 9pc Cm. Pf. £1	101p	+½
100.89	F.P.	-	103½p	101p	Coloroll Grp 9pc Cm Rd Prf 2005 10p	103½p	-¼
100p	F.P.	-	106p	105p	Ests & Gen 6pc (Net) Cm Cv Rd Pf £1	105p	
-	F.P.	28/10	250p	233p	Grand Met. 5.75pc Cv. Uns. Ln. 1989	236p	
§97.34	£30	31/1	32⅛	30	Land Securities 10pc 1st Mtg. Deb.	32⅛	
100p	F.P.	-	105p	101p	NSM 8.5p Cv. Cm. Rd. Pf. 10p	101p	-1
-	F.P.	-	100	100	N'wide Anglia 11 13/16pc 6.11.89	100	
100p	F.P.	-	104p	83p	♦Rockwood 8.5pc Cv. Cm. Rd. Pf.	104p	
§99.31	F.P.	20/1	99⅞	99	TSB Group 10⅞pc Ln. 2008	99⅛	
100p	F.P.	-	100p	91p	Waverley Cameron 7.5p Cv Cm Rd Pf 5p	93p	
§100p	F.P.	-	113p	109p	♦Wyevale Garden Cntrs. 8.5pc Cm Pf	113p	+1

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
360	Nil	15/11	47pm	35pm	Anglia Secure Homes 10p	43pm	-2
45	Nil	30/11	8pm	3pm	Benlox Hldgs. 10p	6pm	-1
30	Nil	-	2½pm	2pm	Bennett & Fountain Grp 5p	2½pm	
240	Nil	30/11	30pm	25pm	Caird Group 10p	28pm	
225	Nil	25/11	27pm	21pm	Fitch Lovell 20p	27pm	
85	Nil	7/12	28pm	13pm	Queens Moat Houses 5p	27pm	+1½
36	Nil	9/12	13pm	12pm	♦Regina Health & Beauty Products 2p	12pm	
310	Nil	9/12	35pm	25pm	♦Sims Food Group 5p	25pm	
400	F.P.	22/11	506	487	Standard Chartered	491	
100	Nil	28/11	7pm	2pm	Sutcliffe Speakman	6pm	
42	Nil	8/11	10pm	3pm	Tysons 10p	3pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♦ Unlisted securities market. ‡ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings — Oct 24
- Last Dealings — Nov 4
- Last Declarations — Jan 26
- For settlement — Feb 6

For rate indications see end of London Share Service

Calls were taken in Allied Lyons, Loraine Gold, Attwoods, BSR, Mowat, Norton Opax, Mt Charlotte, Trimoco, Body Shop, Wimpey, Gateway, Suter, Royal Bk Scotland, Stoddard, Lonrho, Cambridge Inst, Unigate, Dares Est, GT Management, Cambien Venture, PE Int, Hickson. Put in ICI.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*477)	460	42	55	66	19	27	37
	500	21	36	47	42	48	58
Brit. Airways (*166)	160	15	20	25	7	10	14
	180	5	10	14	20	20	26
Brit. & Comm. (*242)	220	30	35	40	6	9	10
	240	16	23	30	13	17	22
	260	7	13	20	27	30	35
B.P (*243)	240	15	17¼	22	7½	14	16
	260	6	8½	13½	18	26	28
Bass (*803)	800	32	50	72	37	42	50
	850	13	30	45	70	72	77
Cable & Wire (*399)	390	32	42	52	15	20	30
	420	15	24	40	30	40	45
Cons. Gold (*1176)	1100	150	190	235	48	67	83
	1150	120	165	200	65	83	105
	1200	93	140	175	90	100	135
Courtaulds (*298)	280	29	38	42	9	12	18
	300	17	26	31	18	20	28
	330	7	13	19	38	39	46
Com. Union (*334)	330	25	31	38	15	25	29
	360	12	16	26	34	43	46
G.K.N. (*329)	300	39	48	52	3½	11	14
	330	19	27	34	12	22	24
Grand Met. (*446)	420	43	49	60	7½	14	18½
	454	23	29	-	21	31	-
I.C.I. (*1046)	1000	80	95	117	17	40	45
	1050	50	63	90	37	62	68
	1100	28	40	65	67	95	97
Jaguar (*257)	240	33	41	50	8	15	17
	260	21	30	38	17	25	30
Land Securities (*589)	500	97	110	-	3	6	-
	550	53	67	77	8	13	21
	600	22	35	47	29	33	40
Marks & Spencer (*170)	140	37	39	-	2	3	-
	160	17	23	26	4	6	8
	180	6	10	15	13½	18	19
STC (*282)	260	33	40	-	6	8	-
	280	20	26	35	11	18	19
	300	10	16	24	23	28	30
Sainsbury (*209)	200	18	24	28	7	10	12
	220	8	13	17	18	20	22
Shell Trans. (*973)	950	62	85	98	19	43	47
	1000	34	55	73	45	70	75
	1050	18	34	51	83	102	105
Storehouse (*186)	180	17	24	28	8	12	14
	200	9	14	18	20	21	24
Trafalgar House (*314)	280	38	40	-	5	8	-
	300	20	26	30	12	16	19
	330	8	13	15	30	32	38
Utd.Biscuits (*307)	300	25	37	35	19	23	27
	330	14	24	31	36	38	43
Ultramar (*241)	235	22	32	-	12	18	-
	240	-	-	37	-	-	25
	255	13	21	-	23	27	-
Woolworth (*253)	220	43	45	-	2	4	-
	240	26	30	38	5	8	12
	260	13	20	27	13	17	20

Option		Calls Jan	Calls Apr	Calls Aug	Puts Jan	Puts Apr	Puts Aug
GEC (*174)	140	38	40	-	2	-	-
	160	20	23	29	3	5	8
	180	7	11½	17	11	14	17

Option		Calls Jan	Calls Apr	Calls Jun	Puts Jan	Puts Apr	Puts Jun
Rolls-Royce (*135)	130	13	19	21	5	8	10
	140	7	11	15	9½	13	15
TSB (*107)	100	12	12½	14½	2¼	4	5
	110	5	6	8½	6	7½	8½
	120	3	3½	-	14	16	-

Option		Calls Nov.	Calls Feb.	Calls Apr.	Puts Nov.	Puts Feb.	Puts Apr.
Ladbroke (*450)	390	63	75	-	1	3	-
	420	34	48	58	2½	9	11
	460	8	25	32	17½	23	26

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Brit Aero (*490)	460	35	56	67	4	12	22
	500	9	32	42	18	30	42
	550	1½	13	21	63	65	75
BAA (*284)	280	9½	19	27	5	11	14
	300	2	9	17	19	22	23
BAT Inds (*469)	460	18	37	44	8	17	26
	500	3½	18	24	33	38	48
Brit. Telecom (*246)	240	9	17	24	3½	8½	10
	260	1	7½	12	16	21	23
Cadbury Schweppes (*374)	360	25	46	53	8	18	28
	390	10	29	38	25	36	42
	420	4	17	26	49	56	60
Guinness (*341)	330	14	30	37	4	11	15
	360	3	15	19	22	26	30
LASMO (*501)	460	52	75	88	6	19	28
	500	24	50	65	18	32	45
	550	7	29	41	55	63	70
P. & O. (*580)	550	40	60	68	3	12	23
	600	8	30	36	25	35	45
	650	2	-	-	73	-	-
Pilkington (*235)	220	18	25	33	2	8	11
	240	6	15	22	11	17	20

Option		Calls Nov.	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Plessey (*173)	140	35	38	43	1	2	3
	160	15	21	26	2	6	8
	180	4	10	15	10	16	19
Prudential (*153)	150	8	-	-	3	-	-
	160	3	8	11	10	13	17
Racal (*288)	280	17	28	39	6	14	18
	300	7	19	29	17	26	30
R.T.Z. (*438)	420	26	50	62	6	15	22
	460	6	25	38	26	35	40
Vaal Reefs (*568)	60	8	14	16	1½	3½	7
	70	3½	8	9	5	8	10

Option		Calls Dec.	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Amstrad (*204)	200	14	23	31	8	12	15
	220	5½	14	20	20	23	25
Barclays (*410)	395	27	-	-	7	-	-
	420	-	23	28	-	32	33
Blue Circle (*451)	420	40	58	62	4	11	18
	460	16	32	36	20	26	34
Dixons (*148)	140	14	21	27	5	7½	10
	160	4½	11	15	16	16	19
Glaxo (*1118)	1100	42	85	112	40	60	70
	1150	23	62	87	72	85	99
Hawker Sidd. (*562)	550	30	50	60	20	25	30
	600	9	22	33	47	50	55
Hillsdown (*269)	260	14	25	31	3½	8	12
	280	3	13	20	16	18	22
	300	½	7	-	33	35	-
Lonrho (*384)	360	44	55	65	14	28	34
	390	28	41	51	30	44	51
Midland Bk (*410)	390	28	42	47	4	14	19
	420	13	22	30	18	32	35
	460	3	9	16	13	15½	18½
Sears (*131)	130	10	17	21	7	11½	13
	140	7	13	16	13	15½	18½
Trusthouse Forte (*263)	260	18	26	35	13	22	27
	280	9	18½	26½	25	35	37
Thorn EMI (*663)	650	32	49	67	10	23	30
	700	11	25	36	42	48	55
Wellcome (*480)	460	32	53	65	11½	20	27
	500	12	33	44	32	42	47

Option		Calls Dec	Calls Apr	Calls Jul.	Puts Dec.	Puts Apr.	Puts Jul
Boots (*222)	220	12	23	29	10½	13	18
	240	4½	12	19	23	24	27

Option		Calls Jan	Calls Mar	Calls Jun	Puts Jan.	Puts Mar.	Puts Jun.
British Gas (*165)	160	11	14	18	3½	5¼	7½
	180	3	5	8½	15½	16½	19

Option		Calls Nov.	Calls Jan		Puts Nov.	Puts Jan.	
RHM (*389)	360	35	40	-	4	12	-
	390	15	25	-	14	25	-

Option		Calls Dec.	Calls Mar.	Calls Jul	Puts Dec.	Puts Mar.	Puts Jul
Beecham (*470)	460	21	38	49	14	21	30
	500	6½	20	30	39	43	51
Unilever (*488)	460	35	50	60	7	12	19
	500	12	26	36	24	29	37

Option		Calls Dec.	Calls Mar.	Calls May	Puts Dec.	Puts Mar.	Puts May
BTR (*292)	280	20	30	33	4½	8½	12
	300	9	19	20	14	18	21
Hanson (*149)	140	11½	14½	16½	2¼	4¼	5½
	160	1¾	4¼	6¼	15	16	16½
Tesco (*137)	130	12	18	22	3	5	7
	140	7	12	16	7	10	13

Option		Calls Nov	Calls Jan.	Calls Mar.	Puts Nov	Puts Jan	Puts Mar
Enterprise Oil (*579)	550	52	73	90	16	25	35
	600	25	45	63	40	50	57
Scot. & Newcastle (*401)	390	26	38	46	13	23	28
	420	12	23	32	30	38	43
	460	3	12	19	62	67	72

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Conv. 9½% 2005 (*103)	102	1⅜	2⅜	-	⅜	⅜	-
	104	⅜	1⅛	-	-	-	-
	106	⅛	⅜	-	-	-	-
Tr 12% 1995 (*109)	108	-	-	-	-	-	-
	110	-	⅜	-	1⅛	1⅛	-
	112	⅛	⅛	-	2⅜	-	-

Option		Calls Oct	Calls Nov	Calls Dec	Calls Jan	Puts Oct	Puts Nov	Puts Dec	Puts Jan
FT-SE Index (*1848)	1650	206	210	215	220	½	1½	4	7
	1700	156	162	168	175	½	3	6	12
	1750	106	113	123	135	½	7	11	20
	1800	56½	67	83	94	½	12	21	30
	1850	6½	32	48	65	½	26	36	49
	1900	½	13	27	40	44½	58	65	79
	1950	½	4	13	23	94½	105	107	112
	2000	½	1½	-	-	144	155	-	-

October 31 Total Contracts 28,185 Calls 19,137 Puts 9,048
FT-SE Index Calls 1998 Puts 3747
*Underlying security price.

UK COMPANY NEWS

All bid talks called off to devote attention to reorganisation

Vivat loss after £6.6m turnround

BY ALICE RAWSTHORN

VIVAT HOLDINGS, the troubled leisurewear group best known for Lee Cooper jeans, yesterday announced that it has broken off its bid talks and disclosed that results for the first half of 1988 showed a turnround from pre-tax profits of £3.6m to a loss of £3m.

Mr Michael Cooper, who became chairman after Lord Marsh's resignation in August, said the group had been engaged in bid discussions with "a number of parties" but that "no formal proposals" had emerged. Vivat's shares, which had been buoyed by bid speculation, fell by 18p to 83p yesterday.

For several years Vivat has struggled in the increasingly competitive European leisurewear market. Lee Cooper has lost market share to more fashionable jeans brands like Levi-Strauss and Pepe: while the group's attempts to diversify into new areas, like retailing, have been plagued by problems.

At the beginning of the year Vivat drafted in management consultants to undertake a thorough review of Lee Cooper.In August the board became embroiled in a row over future strategy. Two directors – Lord Marsh, former chairman of British Rail, and Mr Max de Boysson, the representative of Compagnie de Navigation Mixte, a significant shareholder – resigned.

The resignations fuelled speculation about the future of the Compagnie de Navigation Mixte holding. Two weeks ago Vivat announced that it had been approached by a prospective bidder. Amber Day, the UK clothing company, was mooted as the likeliest candidate.

Mr Cooper said that Vivat had terminated discussions with all potential bidders so that the senior management could concentrate on the reorganisation of the company.

Vivat's turnover fell to £69.1m (£74.1m) for the six months to June 30. It made a loss per share of 8.64p (earnings of 7.3p). The interim dividend is omitted (1p).

Lee Cooper, which provides about two thirds of turnover, was responsible for a third of the losses. It suffered from a sudden slump in jeans sales in France and Belgium, its chief European markets. The review of Lee Cooper was completed in September and Vivat is now accelerating its programme of withdrawal from jeans production in Europe. The last European plant, in France, will close early in the New Year. In future it will source from contract suppliers in the Far East and from its sole surviving factory, in Tunisia.

The bulk of the losses came from the retailing division, which includes Jean Jeanie and Jean Machine. Vivat recently appointed a new managing director with a brief to restructure its UK retailing

Mr Cooper said that he was "not optimistic" about the outcome for the present year, but hoped that the group would return to profit next year.

Agreed Mowat bid values Webb at £17m

By Philip Coggan

MOWAT GROUP has emerged as the mystery suitor for Joseph Webb, the family-run holiday camp and property company which announced it was in takeover talks last week. Yesterday the pair announced an agreed offer valuing Webb at just under £17m.

Mr Brian Dunlop, Mowat's chairman, said that the acquisition would give his group a strong asset base. Mowat was already working on property developments which had a leisure element, and the addition of Webb would give the group expertise in leisure facility management.

Mowat joined the USM in December last year after Peerglow Developments, a private property company run by Mr Dunlop, reversed into the group. In the year to March 31 Mowat made pre-tax profits of £1.14m; Webb made profits of £1.02m.

The terms of the offer are three Mowat shares for every two in Webb, which on last night's share prices – Mowat down 3p at 43p – values each Webb share at 64½p. There is also a partial cash alternative – £1.52 plus three Mowat shares for every four in Webb – that values each Webb share at 70p. Mowat is offering £1 in cash for every Webb preference share.

Mowat and parties acting in concert with it have interests in 9.8 per cent of the ordinary shares and 10.6 per cent of the preferences shares. Directors of Webb, their families and other shareholders have given irrevocable undertakings to accept the offer in respect of 43.1 per cent of the ordinary equity. Webb's ordinary shares closed down 2p at 66½p yesterday.

Radio Clyde's £1.4m purchase

By Clare Pearson

RADIO CLYDE, USM-quoted independent local radio station based in Glasgow, yesterday announced a £1.38m agreed offer for North of Scotland Radio. Mr James Gordon, Clyde's managing director, said this was intended to be the first in a series of takeovers.

Mr Gordon said the company was planning a programme of acquisitions in response to the Government's plan for a big expansion of commercial radio, which was creating pressure for larger groupings. But he said Clyde would only move where it could get the agreement of the target station.

Clyde accounts for about 40 per cent of all listening in the west of Scotland. North of Scotland Radio, known as Northsound, is much smaller but claims a similar proportion of listeners in the Aberdeen area.

The Clyde offer of eight of its shares for every seven of Northsound's yesterday valued Northsound's shares at 306p. For each of Northsound's 193,000 preference shares the offer is £1 in cash. In addition, there is a cash alternative equivalent to 286p per Northsound ordinary.

Full acceptance would involve the issue of 440,878 new ordinary Clyde shares, or 7 per cent of the enlarged equity. Holders of 58.7 per cent of Northsound's ordinary shares have already accepted.

Northsound made pre-tax profits of £172,000 in the year to end-September 1987. Clyde made £608,000, up from £443,000, in the half year to end-March.

Mr Gordon said there were no plans to change Northsound's programming, and Northsound would continue to have separate boards.

The deal is subject to the approval of the Independent Broadcasting Authority. With new broadcasting legislation in 1990, the Government plans to replace the control of the IBA with a radio authority which will supervise the creation of up to three national commercial radio stations and several hundred local and community stations.

Yellow Advertiser up to £5m

Helped by the buoyant levels of advertising business, the Yellow Advertiser Newspaper Group expanded its pre-tax profit from £3.08m to £5.04m in the year to June 30 1988.

The directors said the newspapers that traditionally enjoyed good levels of recruitment advertising were the main beneficiaries of the increase. Turnover for the group rose to £38.7m (£27.8m).

The current year had started well. Free newspaper business – the group claims to be the largest independent publisher in that field in Britain – continued to grow apace.

The two major events in the year were the acquisition of the outstanding 75.1 per cent capital of Comet Newspapers, and the purchase of a Rockwell Goss gazette printing press.

Kelt/Carless

Kelt Energy, the oil independent which is bidding for the larger Carless group, continues to pick up shares in its target. It has purchased a further 250,000 shares at 110p, taking its stake to 6.24 per cent.

Noble & Lund disposal

NOBLE & LUND, specialist engineer and consumer products group, has sold a subsidiary to a New Zealand-based investment company for a cash and share consideration.

The sale of Sanders and Son, part of the engineering division, to Theseus Investments will provide funds to develop existing operations, N&L directors said.

The company is receiving £2m cash and an 8.2 per cent stake in the enlarged capital of Theseus, which plans to acquire further investments in Britain.

N&L said that the stake would allow it to invest in a "growth company at a low base rate".

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Eastern Produce ....int	2.5	int	2.5	-	10
Third Mile Inv. ....int	1.3	-	1.25	-	3.3
TRIG ....int	1.2	-	0.8	-	2.4
Vivat Hldgs ....int	nil	-	1	-	2.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- SDA Hldgs., German Smaller Co's Inv. Tst., Highland Participants, Prowting, Rechem Environmental Services, Reed Int'l., Select Appointments.

Finals- Caldwell Invs., Drayton Cons. Trust, Global Group, Low (Wm.).

FUTURE DATES

Interims-	
Appleby Westward Grp.	Nov. 10
GT Management	Nov. 7
Granyte Surface Coatings	Nov. 15
Midsummer Leisure	Dec. 14
Monks Inv. Trust	Nov. 22
Powerscreen International	Nov. 10
Renold	Nov. 4
Royal Insurance Group	Nov. 18
Finals-	
Alva Inv. Trust	Nov. 8
F & C Eurotrust	Nov. 14
Fairline Boats	Nov. 29
Video Tape Recording	Nov. 16
Wellcome	Nov. 10

Glaxo chief joins top 30 with salary rise of 28%

By Peter Marsh

SIR PAUL Girolami, chairman of Glaxo, Britain's biggest pharmaceutical company, has received a 28 per cent pay rise, taking his 1988 salary plus other emoluments to £396,931.

The figure puts Sir Paul into the top 30 executives in UK industry ranked according to pay. It reflects, according to observers, the increased desire by many of Britain's biggest companies to raise salaries of top executives to bring these more into line with pay structures in the US.

Glaxo said the pay rise for Sir Paul, disclosed in the company's annual report for 1988 which was mailed to shareholders yesterday, brought his salary closer to the levels expected for other industry leaders.

The annual report also disclosed that Glaxo, besides paying its chairman more, has been rapidly increasing its overall salary bill. Employment costs for the group for

Sir Paul Girolami

1988 are put at £425m, an 18 per cent rise compared with the 1987 figure and an increase which is well above the rate of inflation.

Sir Paul's salary increase, though high compared with that experienced at other levels of UK industry, "cannot be regarded as exceptional", according to Mr Roger Down, a consultant who specialises in executive pay.

The salary of the Glaxo chairman is well below that of Britain's most highly paid industry executive. He is Sir Ralph Halpern, chairman of the Burton retailing group, who is paid £1.35m.

Sir Paul's salary is also well below that of Britain's best rewarded pharmaceutical industry manager. This is Mr Bob Bauman, chairman of Beecham, who receives £693,000.

Glaxo has been expanding significantly in the past few years and last year increased pre-tax profits by 12 per cent to £832m. Turnover rose by 18 per cent to £2.1bn.

Argyle Tst appoints adviser

By Clare Pearson

ARGYLE TRUST, the small consumer lending concern yesterday said it had appointed Phoenix Securities, the corporate finance offshoot of Morgan Grenfell, to advise on its search for a "third party whose involvement could materially enhance the group's prospects."

Argyle, where Mr Nick Oppenheim is deputy chairman, has periodically put up a "for sale" notice over the past three years.

Yesterday's announcement left the shares just 1p higher at 87p.

The company, which is engaged in secondary mortgage lending, has been thought to be seeking a friendly bidder to inject new management and business.

In September last year it announced it was at an advanced stage of discussions with another company which could lead to an enhancement of capital resources. The statement was subsequently described as premature.

The talks at that stage are believed to have been with Blue Arrow, the employment and financial services concern, and to have fallen through after the stock market crash.

Bromsgrove raises holding in Ratcliffs to 20%

By Clare Pearson

Bromsgrove Industries, Birmingham-based specialist engineer, has lifted its holding in Ratcliffs (Great Bridge), West Midlands brass and copper strip manufacturer, to just over 20 per cent through the purchase of a further 409,500 shares – an 8.75 per cent stake – held by Sir Ron Brierley's vehicle, Industrial Equity (Pacific).

This is the second purchase of Ratcliff shares by Bromsgrove from interests associated with Sir Ron Brierley and seems to sever his convoluted connection with the company.

In August Bromsgrove said it had bought the 11.62 per cent stake held by Leyland Growth, which is associated with NZI Corporation, the New Zealand-based financial services group recently bought by UK composite insurer General Accident after the auction of Brierley Investment's 38 per cent stake. The UK arm of NZI holds 12 per cent of Bromsgrove.

The Ratcliff family speaks for over 50 per cent of the company's shares.

Lucas in £2.7m sale to Bimec

Lucas Industries, international aerospace, automotive and industrial systems and components group, has reached agreement with Bimec Industries for the sale of the engine fabrications and combustion technology and engineering centre operations of Lucas Aerospace in Burnley.

Consideration of around £2.7m will be satisfied as to £2.4m via the issue of 10m new ordinary Bimec shares with the balance in cash.

The sale, part of Lucas's strategy of disposing of peripheral activities, is expected to be completed next month.

IN BRIEF

MERIVALE MOORE has exchanged contracts to purchase the capital of A S Nelson (Builders) for nearly £4m in cash. Assets comprise 18 acres of residential building land near Norwich and the 50,000 sq ft Drayton Industrial Estate.

MOSAIC INVESTMENT'S wholly-owned subsidiary Press Tools Holdings has acquired Arthur Wells and Co, car accessories manufacturer. The consideration of £80,000 is payable half in cash and the rest by the issue of 15,385 ordinary shares at 260p.

SERIF COWELLS has bought Westland Publications, independent trade directory publisher, for an initial £300,000 cash, with a further £150,000 payable on future performance. In the year ended June 30 1988 Westland's pre-tax profit was £124,615 on turnover of £1.17m.

SIDLAW GROUP has expanded its flax spinning and household textiles interests by acquiring a group of small companies for £410,000 cash. The Inverbervie and Dunfermline-based companies are Craigview Mills, Erskine Beveridge, William Boyd and John Honeyman.

THOMAS TILLING (subsidiary of BTR) made pre-tax profit of £77.5m for half year ended June 30 1988 (£61.8m) on turnover of £703.1m (£616.9m). Earnings 4.3p (3.4p).

MONTHLY AVERAGES OF STOCK INDICES

	Oct.	Sept.	Aug.	Jul.
Financial Times				
Government Securities	88.82	86.99	87.78	87.84
Fixed Interest	97.25	96.87	97.43	97.36
Ordinary	1493.3	1429.2	1474.3	1488.9
Gold Mines	172.4	175.3	195.1	215.4
SEAQ Bargains (5 p.m.)	25,069	20,468	23,171	25,430
F.T.-Actuaries				
Industrial Group	979.26	934.42	974.10	981.83
500 Share	1044.29	1002.78	1044.04	1054.34
Financial Group	696.87	670.97	696.30	711.36
All-Share	957.55	919.36	954.36	965.18
FT-SE 100	1842.9	1773.8	1830.2	1866.1

	Oct. High	Oct. Low
Ordinary	1513.2 (19th)	1455.8 (3rd)
All-Share	969.09 (20th)	935.09 (3rd)
FT-SE 100	1864.3 (20th)	1802.6 (3rd)

Puri raises stake and questions British Syphon buy-out price

By Andrew Hill

MR NATHU RAM PURI, who heads Melton Medes, a private industrial group, yesterday signalled his disapproval of the proposed 155p-a-share management buy-out at British Syphon Industries, by declaring a 5.15 per cent stake in the Cheshire-based merchanting and manufacturing company.

British Syphon's shares rose 8p to 163p on the news.

Mr Puri and Melton Medes have held shares in the company for about 12 months but only took their stake over the disclosable level on Friday when Mr Puri heard the value of the buy-out, which would take British Syphon private.

"I don't mind whether (the directors) want a management buy-out. My question is whether they would have recommended a bid from a third party at 155p. I don't think they would have," said Mr Puri yesterday.

"I am not a seller at 155p. In fact, I would not mind holding on, even in a private company," he added.

Nottingham-based Melton Medes, an acquisitive mini-conglomerate similar in size to British Syphon, had not considered acquiring the whole company at this stage and had no intention of making a hostile bid, said Mr Puri.

Mr Bryan Morrall, British Syphon's chairman and chief executive, Mr Christopher Shaw, managing director, and Mr Tony Statham, finance director, expect to announce the details of their offer for the company within a few days.

Mr Morrall said yesterday that the buy-out would be launched at 155p – valuing the group at about £50m – despite the declaration of Mr Puri's stake and the increase in the share price.

He added that he considered the latest closing price to be a false one. Mr Puri had told him in April that the shares were fully valued at 114p, said Mr Morrall, and had also turned down 300,000 British Syphon shares at 130p each on October 24, three days before the preliminary announcement of the buy-out.

Mr Morrall – who, with Mr Shaw, holds 8.75 per cent. of British Syphon – dismissed the possibility of a full bid from Melton Medes.

"Mr Puri enjoys being in the private sector, and I don't blame him," he said.

Finlan plans offer for MMEC

By Nikki Tait

FINLAN, property development and materials handling group, yesterday announced that it was prepared to make an offer for Merchant Manufactory Estate Company if the directors plus further shareholders holding over one-fifth of the shares gave undertakings to accept.

A statement from Finlan said that if the board of MMEC – another property investment and development company – agreed to recommend the offer, and the relevant undertakings to accept were received, the offer would be made on the basis of one Finlan share for every MMEC share. Yesterday, Finlan shares eased 1p to 80p, while MMEC fell 2p to 81p.

MMEC responded that it noted the announcement and was giving it consideration. However, it added that it was considering "a number of proposals with regard to the future of the company" and would write to shareholders in due course. Yesterday, the company's advisers said that none of these alternatives constituted a firm offer from a third party.

The Finlan proposal follows talks between the two groups in recent weeks. However, both sides suggested yesterday that although matters remained very amicable no agreement could be reached on price. Further contact between the two sides now seems likely.

The two companies have a common shareholder, MIM Britannia, which holds about 12 per cent of MMEC and about 13 per cent of Finlan. Mr Christopher Mills of MIM is on the boards of both companies. Directors of MMEC hold 23 per cent of its shares, while Finlan already has 9.9 per cent.

MMEC, headed by Mr Paul de Savary, came to the Unlisted Securities Market in April via an offer for sale, but saw 66 per cent of its shares left with the underwriters. The shares were offered at 93p each, compared to a net asset value of 53p.

Iceland posts Bejam bid details

By Philip Coggan

ICELAND FROZEN Foods yesterday posted its offer document to shareholders in Bejam, the rival frozen foods retailer for which it is making a £248m bid.

Mr Malcolm Walker, Iceland's chairman and chief executive, claimed that the merger discussions held last year with Bejam indicated that the latter group recognised the rationale behind the offer.

He said that the North of England-based Iceland would be able to revitalise southern Bejam's "tired retailing formula". "The enlarged group will bring increased consumer awareness to the Iceland retailing formula with considerable potential for future growth and increased market penetration," he said.

Last week, Iceland offered 41 of its ordinary shares and 60 convertible preference shares for every 100 ordinary shares in Bejam. Based on last night's Iceland closing price of 331p, that values each Bejam share at 196p, compared with the market price of 202½p.

Net asset value rises 9% at TRIG

By Nikki Tait

TR INDUSTRIAL and General, the non-specialist investment trust for which the British Coal Pension Funds recently won a £530.5m bid, yesterday announced interim figures to end-September showing a 9 per cent rise in net asset value over the six-month period.

Net asset value per ordinary share was 140.7p at end-September against 128.6p at end-March. TRIG's present managers point out that this exceeded the 6.5 per cent rise in the FT Ordinary Share Index, the 5.5 per cent increase in the All-Share Index and the 5 per cent gain in the S&P Composite Index.

They also announced that the interim dividend, which was declared on September 28, has been increased from 0.8p to 1.2p a share, payable on 15 December to holders on the register on November 18. The directors have forecast a final of not less than 1.6p a share.

The board, which has reluctantly recommended the pension funds' offer, pointed out that shareholders accepting the bid would not be entitled to these dividends.

However, it denied yesterday that this caveat was intended to persuade shareholders to remain as minority holders, and was merely designed to clarify the postion for investors.

Although the bidder has already announced that it has passed the 85 per cent acceptance level, a number of small shareholders have still not accepted.

The pension funds need to acquire just under 94 per cent of the equity before they can compulsorily mop up the remaining shares.

Bolton Textile Mill loss

Bolton Textile Mill yesterday turned in a loss before tax of £574,000 for the year to April 30 1988 – little changed from the £586,000 deficit shown last year. Turnover was lower at £6.92m, compared with £7.77m.

A revaluation of the company's freehold and leasehold properties disclosed a surplus over book value of £5.23m.

The directors expected that during the current year the group would achieve significant benefits from its property interests.

UK COMPANY NEWS

Assets worth £271m to be transferred to Channel Islands

Lazard Inv to reconstruct trusts

By Nikki Tait

LAZARD INVESTORS, part of Lazard Brothers merchant banking group, is reconstructing its two investment trusts, Raeburn and Romney, into a new open-ended investment company based in Guernsey.

The reconstruction will involve the liquidation of the two funds and the transfer of their assets, together estimated at some £271m, to the Channel Islands. These will then form the new company, Lazard Select.

Lazard Select will offer a range of investment options through different share classes. Until full details of the new fund are released later this month or early next managers declined to comment further on the shape of new company.

A number of similar reconstructions have occurred during the past 12 months at other trusts. The advantage for investors is that, because the new offshore company is open-ended, its shares trade at close to net asset value (rather like a unit trust) - thereby eliminating the traditional investment trust discount. Shareholders, therefore, can either exit from the fund or value their holdings at close to underlying net asset value.

Yesterday, Lazards estimated that shareholders should be able to achieve about 98 per cent of the net asset value of the trusts on their liquidation. County WoodMac, stockbroker, estimates that net asset value at Romney currently stands at 427p a share, valuing the trust at £122m. The figure at Raeburn of 558p, puts a value of £149m on the trust overall. Yesterday, shares in Romney gained 34p to 395p and Raeburn 50p to 526p.

The schemes will apply to each trust separately and will not be interdependent.

It is envisaged that the preference stocks of the trusts will be repaid at par and that the holders of convertible loan stocks will be permitted to convert into ordinary stock units of the trusts and then elect for an investment in Lazard Select. The debenture stock of Raeburn will be repaid at £115 per cent of its nominal value.

Lazards said yesterday it recognised that there was "a certain degree of pressure" in the investment trust industry to reduce discounts. It conceded that the trusts, which both have the Prudential as a sizable shareholder, had not been immune to this.

Next sells 21 shops to W H Smith in £7.8m deal

By Maggie Urry

W H SMITH, the retail and distribution company is buying 21 leasehold shops from Next, the retail group, for £4.9m, plus a payment for stock of up to £2.9m, in cash.

Most of the shops trade under the Preedy name and are located in the Midlands. Next says the shops do not fit into its strategy.

W H Smith plans to convert all the stores to its standard W H Smith-type shops – which sell newspapers, stationery, books and records – within nine months. The acquisition will take the number of W H Smith high street branches to over 400.

Mr David Roberts, managing director of W H Smith Retail, which is the core of the group's retailing activities, said "the acquired outlets will add strength to the W H Smith chain in many towns where we are under-represented or where we can benefit from an additional presence."

Once converted W H Smith expects to make annual sales of £11.5m from the 67,000 sq ft of retail space being added to its chain. Profits from the shops are expected to be £800,000. W H Smith had planned to open 40,000 sq ft of selling space during the current financial year.

Next acquired Preedy, a newsagent chain, in May this year for £21m. It had 172 shops which Next wanted to add to Dillons, the newsagent that Next took over in 1987, as part of its strategy to own neighbourhood shops which can be linked into its home shopping business.

The 21 shops it is now selling are located in high streets and thus do not form part of Next's local shop plan.

Next has also recently agreed the sale of its Zales and Salisburys chains to Ratners for a total of £150.8m and its Allens chemist chain to Lloyds Chemists for £29.3m. Those businesses also did not fit into Next's core strategy. Next is expected to sell Eurocamp, its camping holidays business, and Mercado, a carpet wholesaling company.

Otto-Versand in joint venture talks with Fine Art Devs

By Clare Pearson

OTTO-VERSAND of Hamburg, Europe's largest mail order company, the intentions of which in the UK have been the subject of much recent speculation, is discussing a joint venture with Fine Art Developments, greetings card and gift maker and distributor.

Mr Keith Chapman, chairman and chief executive of Fine Art, said the idea was to set up a separate vehicle making use of Fine Art's existing mail order network, but broadening the product range.

Discussions were still at an early stage, he said. Yesterday's announcement had been triggered by speculation in the Sunday press that Otto, which already has a small joint venture with Freemans, the mail order arm of retailer Sears, was about to make another move in the UK.

Fine Art has made a number of acquisitions over the past two years to broaden the scope of its mail order business, which originally just distributed cards, to include hampers and horticulture.

Though mail order made a flat contribution to Fine Art's £20.24m pre-tax profits in the year to end-March, this year's results are expected to show the benefit of its £10m investment programme in automated handling systems.

Beazer in £34m Koppers sales

By Philip Coggan

BEAZER, construction and aggregates group, has sold three more units of Koppers, the US company it acquired for $1.7bn earlier this year.

The units being sold are Koppers International Canada, a manufacturer of steel culvert pipe; Ivy Steel and Wire, a manufacturer of welded wire; and Meadow Steel Products, a manufacturer of steel reinforced construction materials.

Total consideration will be $60m (£34m) and follows the $48m which Beazer raised via the sale of three other Koppers businesses. Beazer is still negotiating the sale of the chemicals division of Koppers; it said recently it expected to raise more than the $660m it was offered by a management buy-out team in July.

GrandMet gets 88% acceptance in rights issue

By Philip Coggan

The £479m rights issue made by Grand Metropolitan, drinks, food and retailing group, has achieved an 88 per cent acceptance rate.

Shareholders were offered, on a one-for-seven basis, 122.9m units of 5.75 per cent convertible unsecured loan stock, which will automatically convert into ordinary shares after 12 months. The units were offered in partly paid form, with shareholders asked to pay a first instalment of 200p on the 400p face value.

The rights issue was made to finance GrandMet's $60-a-share bid for Pillsbury, US foods manufacturer and restaurant company. GrandMet is currently facing law suits in US courts designed to block the offer.

Those stock units not taken up in the rights have been sold in the market and the proceeds (around 33p per unit) will be distributed to shareholders.

Ladbroke spends £20.7m for luxury hotel in Spain

By David Waller

LADBROKE GROUP, hotels, property, betting and retail company, is planning to open its first hotel in Spain following yesterday's Pta 4.3bn (£20.71m) purchase of a 300-room hotel project in Barcelona.

Ladbroke has bought Hotelera Diagonal, a Spanish hotel development company currently building a luxury hotel on Avenida Diagonal, Barcelona's equivalent of London's Park Lane. The hotel will become a new Hilton International and is scheduled to be opened in early summer next year.

Mr John Jarvis, chairman and chief executive of Hilton International, said that the move took the company into one of the fastest growing commercial markets in Europe after an absence of 16 years. "Capital appreciation is assured," he said.

Since Ladbroke bought the Hilton chain last October, 11 new Hilton Internationals have been opened outside the UK, bringing the total number of hotels to 141, with more than 45,000 rooms in 46 countries.

Eastern Produce surges

PROFITS AND sales surged at Eastern Produce (Holdings) in the six months to June 30. Sales advanced sharply from £25.71m to £68.47m and pre-tax profits from £2.15m to £3.38m. Earnings per 50p share rose 35 per cent from 7.6p to 10.3p.

The directors said the results reflected a change in accounting so that Associated Fisheries has been treated as a subsidiary for the full six months, against only one month in the comparable period. There was also an increased contribution from Unochrome Group, British Traders and Shippers and the citrus operation in Florida. Production in the Kenyan tea estates was down on last year and those in Malawi continued to show the effects of the drought.

The interim dividend is held at 2.5p.

Strong & Fisher bid

Strong & Fisher, which is making a £41m bid for fellow leather company Pittard Garnar, yesterday announced that it has acquired a further 95,000 shares in its target, taking its total holding in Pittard to 455,000 shares or 2.1 per cent.

CORRECTION

KTM bank

In a survey on management buy-outs, published on Thursday October 13, we incorrectly named the bank which provided a £5m term loan facility for KTM, machine tool manufacturer. The facility was provided by the First National Bank of Boston.

Losses jump to £917,000 at DG Durham

DG Durham Group, Lloyd's broker, which joined the USM in August by reversing into Derek Bryant Group, reported much increased interim taxable losses of £917,000, against £70,000.

Directors said the results had been affected by a number of exceptional factors relating to former subsidiaries, which although they had existed for some time crystallised during the period. A provision of £320,000 was made.

Brokerage income for the first half of 1988 fell to £892,000 (£1.46m) and there was also lower interest receivable of £143,000 (£219,000). The loss per 10p share came out at 35.46p (3.08p).

The company fell into the red in the first half of last year and incurred a loss of £687,000 for 1987. Bryant lost about half its income in the US, where it had most of its business, two years ago when Lloyd's underwriters refused to continue underwriting truckers' liabilities insurance. Lower reinsurance income and currency movements compounded the problems.

Aran Energy slips to £329,000

Aran Energy, the Dublin-based oil and gas exploration and production company which came to the market in October last year, suffered a drop in pre-tax profits from I£745,000 to I£386,000 (£329,000) in the first half of 1988.

Operating profits fell to £39,000 (£734,000), mainly due to lower oil prices and reduced production from the Forties field. Profits from the marketing and distribution subsidiary were hit by reduced margins and increased competition.

Turnover slipped £234,000 to £11.54m. Interest receivable was boosted to £347,000 (£11,000) by refunds of UK Petroleum Revenue Tax. In addition, the recovery of PRT resulted in a tax credit of £1m (£187,000 charge). After this, earnings per 20p share worked through ahead at 0.83p (0.38p).

During the first half the company completed the appraisal phase of the Alba Field and continued to appraise the Gryphon Field in the North Sea. It was anticipated that this high level of activity would continue over the next year.

Third Mile Inv ahead at £283,000

Third Mile Investment raised pre-tax profits from £245,162 to £283,390 for the first half of 1988, on turnover of £1.51m, against £1.61m.

Earnings per 25p share rose to 7.68p (7.3p). The interim dividend is 1.3p (1.25p).

Mineral sands reveal key factor of Minorco's bid

Kenneth Gooding looks at the possible impact on the zircon and titanium markets

MR SYDNEY Lipworth, chairman of the Monopolies and Mergers Commission, and the team investigating Minorco's £2.9bn hostile bid for Consolidated Gold Fields will almost certainly want to talk to Kenmare Resources, a Dublin-based natural resources company.

The commission has been invited to pay particular attention to the possible impact of the planned acquisition on competition in the markets for zircon and titanium.

Kenmare recently entered a joint venture to develop a major mineral sands project in Mozambique, from which it will supply zircon and the two minerals from which titanium is produced, ilmenite and rutile. In preparation for the venture, Kenmare put together a detailed report on the world-wide mineral sands industry and its prospects.

This shows that zircon, traditionally regarded as a second-class product of mineral sands mining and which for most of its history has been in over-supply, has experienced increasing demand for a range of high-technology applications. The market can no longer keep pace with consumers' needs.

Kenmare estimates that there is an annual shortfall of about 100,000 tonnes of zircon and demand is likely to outpace supply until 1994.

Demand is forecast to grow by 5 per cent a year and Kenmare reckons that the price, which languished at about A$100 a tonne at the beginning of the 1980s, could stabilise at between A$400 (£185) and A$450 a tonne.

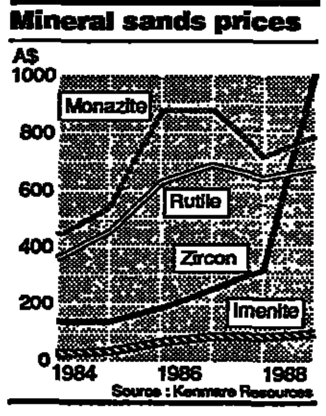
Mr Michael Nossal, Kenmare's finance director, points out that these prices are for long-term contracts between a limited number of buyers and sellers who have long-established relationships. The shortage of readily available zircon in recent months has seen the spot price reach a peak of A$2,000 a tonne "but there hasn't been any material available."

About 70 per cent of world zircon output is controlled by two companies. These are Renison Goldfields Consolidated, the Australian company in which the UK Gold Fields group has a 48 per cent shareholding, and Richards Bay Minerals, a South African business controlled by British Petroleum and in which Gencor (General Union Mining Corporation), the South African mining house, has a minority interest.

The Anglo American Corporation of South Africa, of which Minorco is a part, has no mineral sands operations and only a 5 per cent shareholding in Gencor.

Zircon's main uses are in foundries, refractories, ceramics, zirconia, abrasives, steel production, zirconium metal and zircon compounds. Kenmare points to two areas of high growth, in ceramics and as zirconia, which is used in

Mineral sands prices



Source: Kenmare Resources

the specialised end of the ceramics market.

Currently about 25 per cent of zircon is used in conventional ceramics, mainly premium grade material employed as an opacifier for porcelain, but consumption is growing rapidly because increasing demand for coloured ceramics has opened the market for intermediate grade zircon.

Zirconia, made from zircon, is highly valued in electrical and engineering ceramics. It is also used as a feedstock for the production of partially stable zirconia which is being positioned by the Japanese as a future ceramic material for engine components.

Kenmare says growth potential is very high for the zirconia market, which currently accounts for only 5 per cent of zircon consumption.

Both rutile and ilmenite, from which titanium is produced, are also in short supply, according to Kenmare. But a balance is likely to be reached in 1990 when long-term contract prices are likely to ease.

Titanium is used mainly in the production of pigments for paints, plastics, paper, textiles and so on.

Ilmenite and rutile have enjoyed strong demand as pigment consumption has increased by 5.5 per cent annually over the past five years. Future growth will be about 3 per cent a year, predicts Kenmare.

Titanium metal accounts for only 5 per cent of total titanium demand. About half the output of titanium metal goes to the aerospace industry, but usage by the power generation and the automotive sectors is said to be growing fast.

UK COMPANY NEWS

Stormgard considers sale of M and S knitwear supplier

By Andrew Hill

STORMGARD, the textiles group which this year diversified into printing supplies and stationery, is considering the sale of E & A Richards, a subsidiary which manufactures materials for home furnishings and makes 80 per cent of its basic knitwear sales to Marks and Spencer.

Although the group as a whole returned to profit in the six months to September 30, making £203,000 before tax, against a loss of £690,000 in the equivalent period, Richards had a disappointing first half. This was in spite of recent talks between Stormgard and Marks and Spencer aimed at alleviating pressure on margins in the traditional knitwear business.

Mr Geoffrey Moyse, finance director, said the group, which has made three acquisitions since the end of 1987, was considering four further purchases – at a total cost of about £3m – in the printing and stationery related fields. The possibility of moving into Denmark, Holland and the US is also being discussed.

He said Stormgard would eventually make about 70 per cent of annual sales from printing supplies and stationery, and 30 per cent from textiles, although the group also plans to add a third division to the business.

First-half turnover decreased from £16.8m to £12.8m and earnings per share were 0.12p against a loss of 0.52p per share in the equivalent period. No interim dividend was declared.

After extraordinary gains of £420,000 on sale of a freehold property and a £80,000 premium on the purchase of outstanding preference shares in Jacqmar, the group's garment merchandising subsidiary, profits of £683,000 (£4,000) were attributable to shareholders.

In future, said Mr Moyse, a wider range of Stormgard's ladies fashionwear would be produced under the Jacqmar brand-name.

Mr Moyse said Stormgard had reduced gearing from over 100 per cent at September 30 1987, to about 70 per cent, and hoped borrowings would come down still further to about 50 per cent of shareholders' funds by the year-end.

Rowe Evans up sharply

A SURGE in interim pre-tax profits from £740,000 to £1.84m is reported by Rowe Evans Investments, the plantations group.

In the six months to the end of June, operating profit doubled to £806,000 on turnover of £1.38m (£889,000). This reflected robust prices for rubber and better ones for palm oil. The related companies' contribution soared to £1.23m (£363,000), including £425,000 from the disposal of shares in Colly Farms Cotton.

Prices for both rubber and palm oil had fallen back from the peaks seen earlier in the year, but were still reasonable, the directors reported.

Earnings worked through at 2.49p (0.93p, or 1.53p including extraordinaries).

Figures for PT Simpang Kiri and PT Bilah Plantindo, the joint ventures in Indonesia, were included for the first time. At this stage of their development is held at cost, the contribution was minimal but the progress being made was encouraging. The 1988 planting was going at full pace.

Fairhaven makes $0.73m

IN ITS first set of results since major reorganisation and the acquisition of Oil & Gas Construction, Fairhaven International, formerly known as Nimslo International, reported pre-tax profits of $732,000 (£415,000) for the first half of 1988.

In May the USM-quoted photographic system developer changed its name and its year-end to December 31 after the OGC acquisition – consideration was satisfied by the issue of 75m new ordinary shares to Fred Olsen. The conversion of $7.2m promissory notes into new ordinary resulted in the issue of 30m shares to Fred Olsen Finance. Together, these shares represent about 86 per cent of Fairhaven.

The 1988 figures include five months to June 30 for Nimslo and six months to the same date for OGC, while the 1987 figures include six months to July 31 for Nimslo and six months to June 30 for OGC. So the 1988 first-half result compares with $423,000 and was struck on turnover of $35.68m ($21.06m). Earnings per 20 cents share were 3 cents.

Mr James Davidson, president and chairman, said that the business activity of OGC had been greater than anticipated, but he regretted that this was in large part due to recent North Sea tragedies.

New Throgmorton net assets fall

Net asset value of New Throgmorton Trust (1983), stood at 258.52p per capital share at September 30, compared with 348.66p a year earlier. Fully diluted the figures were 209.3p and 281.54p respectively.

Net revenue for the six months rose from £1.18m to £1.44m after tax of £445,000 (£413,000), for earnings per share of 3.68p (3.03p). The interim dividend is stepped up to 1.75p (1.5p).

Fleming Universal doubles earnings

Doubled pre-tax revenue and earnings were achieved by Fleming Universal Investment Trust in the six months ended September 30 1988. The interim dividend is held at 0.5p.

At September 30 the net asset value stood at 183.7p, compared with 173.3p six months' earlier and with 235.6p in September 1987.

Gross revenue totalled £2.51m (£1.64m) and the pre-tax £2.13m (£1.04m), while earnings per share were 2.18p (1.06p).

COMPANY NEWS IN BRIEF

BICC has completed the first stage of its acquisition of Ceat Cavi Industrie from Fornara, Italian industrial group, with the issue of 7.56m 50p shares. A further 2.61m shares are to be issued in 1989 making a total consideration of about £90m.

BODYCOTE INTERNATIONAL has completed the acquisition of Härterei VTN for an initial cash consideration of DM 2m (£637,000). The balance, amounting to DM 390,000 (£124,000), will be paid on approval of the accounts for the period to October 31 1988. The company offers a metallurgical heat treatment service to industry.

BUTTE MINING has reported pre-tax profits of £14,678 for the six months to July 31 1988, against £39,371 previously. The operating loss was reduced from £437,685 to £238,157 and interest income amounted to £252,835 (£477,056). Retained profit £10,678 (£25,371). The company was incorporated in August 1987 and joined the main market this April. Its mining activities are concentrated in the US.

CAIRD GROUP has acquired EJ Seal Special Waste for £109,000 in cash and shares. Seal is an established family business involved in the collection and disposal of hospital and clinical waste.

DAWSON INTERNATIONAL has completed the sale of Kammgarn Spinnerei Wilhelmshaven, its West German hand knitting yarn spinner, to the Daun family, Rastede, West Germany, for a nominal sum. KSW incurred losses of £290,000 for the year to March 31 1988, since when trading has deteriorated.

DUNLOP PLANTATIONS held pre-tax profit at £1.38m for first half of 1988, and attributable to interest receivable. Tax £481,250 (same) and earnings per share 13p (same).

EIS GROUP has bought Hibon International of Roubaix, France, for FFr 20.58m (£1.93m). Hibon is the leading French manufacturer of blowers, liquid ring pumps, and allied equipment.

EVANS HALSHAW has acquired, for £825,000 cash, Shuker (Garage), owner of two Peugeot Talbot dealerships in Halesowen and Kidderminster.

GARTMORE AMERICAN Securities: net asset value per share stood at 171.3p at the end of the six months to September 30, against 154.2p at March 31. Net revenue was £272,478 (£156,438) and earnings 1.52p (0.87p). The interim dividend is raised by 0.2p to 0.8p.

HSS HIRE Group, a subsidiary of John Mowlem, has acquired British Tool Hire, a company with four shops covering the area between the M3 and M4.

MACARTHY is selling the surgical division of Macarthy Medical, to Baxter Healthcare for about £4.13m, some £1m over book value. Proceeds will reduce borrowings. It is estimated that the sale will reduce group profits by about £400,000 in a full year, before any interest effect of the proceeds.

WATSON AND PHILIP has disposed of its small import business in Birkenhead and Glasgow as it believes the butter business, the main element of the division, will only be viable as part of a substantial dairy company, as a result of changes in the EC agricultural policy.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

London & Manchester (Tst Mgmt) Ltd (1000)H

Winslade Park, Exeter EX5 1DS 0392 282673

American	5 29.28	29.62	31.44	-0.15	0.8
General	5 49.45	49.69	52.75	+0.11	3.5
Income	5 44.98	45.40xd	48.20	+0.22	5.6
International	5 34.83	35.16	37.32	+0.05	0.9
Japan	5 48.54	48.84	51.85	+1.09	–
Tst of Inv Trusts	5 36.17	36.72xd	38.98	+0.14	2.0

M & G Securities (y) (0915)H

Three Quays, Tower Hill, EC3R 6BQ.
Cust Services 01-626 4588 Unit Dealing 0245 266266

Amer & General	5 198.75	198.8	210.2	-1.5	1.46
(Accum Units)	5 237.23	237.3	250.9	-1.8	1.46
Amer Recovery	5 222.13	223.8	237.2	-1.1	0.89
(Accum Units)	5 247.30	249.2	264.1	-1.0	0.89
Amer Smllr Co's	5 44.24	44.30	46.80	-0.4	0.22
(Accum Units)	5 45.08	45.10	47.70	-0.3	0.22
Australasian	5 108.21	113.0	119.8	–	1.32
(Accum Units)	5 120.06	125.4	132.9	–	1.32
Charifund	1521.18	529.5	534.8	+1.4	5.70
Commodity	5 213.50	213.5	225.8	+0.4	2.83
(Accum Units)	5 288.26	288.3	304.9	+0.8	1.83
Compound Growth	5 540.61	546.0	577.4	+1.7	3.01
Conversion Growth	5 461.01	464.0	490.7	+1.7	3.48
Conversion Income	5 249.65	254.6	269.2	+1.4	5.44
Dividend	5 539.79	548.3	579.8	+3.2	5.07
(Accum Units)	5 1703.06	1729.8	1829.3	+6.1	5.07
European	5 230.59	233.1	246.5	-0.1	1.18
(Accum Units)	5 277.86	280.9	297.0	-0.2	1.18
Extra Yield	5 312.39	317.1xd	335.3	+1.5	5.03
(Accum Units)	5 735.53	746.5	789.4	+3.5	5.03

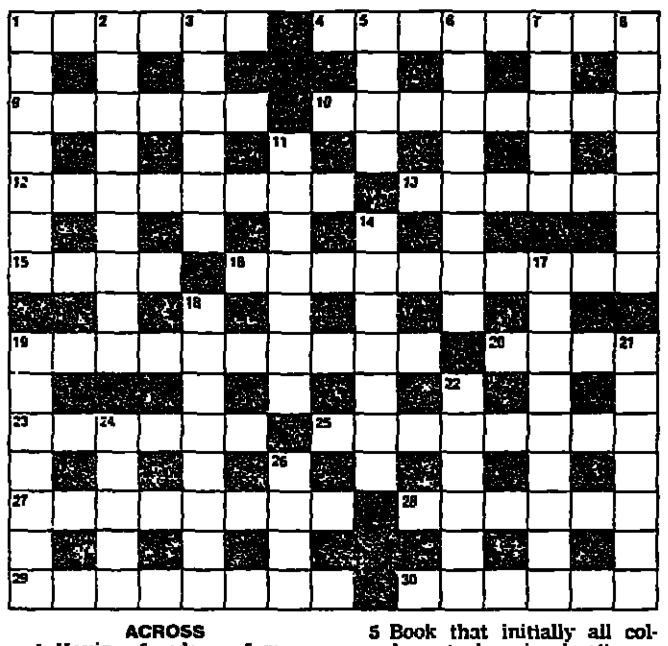
Commodity Shares	5¼ 135.6	135.6	144.0	[illegible]	1.77
Financial Securities	5¼ 41.35	41.35	43.93	[illegible]	3.73
Gold	5¼ 42.88	42.88	45.98	[illegible]	0.55
Accum Units	5¼ 44.57	44.57	47.80	[illegible]	0.53
Intl Leisure	5¼ 16.01	16.01	17.02	[illegible]	–
Property Shares	5¼ 76.77	76.77xd	81.56	[illegible]	1.6
Universal Energy	5¼ 54.75	54.75	58.17	[illegible]	1.95
World Technology	5¼ 34.25	34.25xd	36.39	[illegible]	0.43
Overseas Growth Funds					
American Growth	5¼ 87.86	87.86xd	93.80	[illegible]	1.63
US Smaller Co's	5¼ 58.74	58.74	63.33	[illegible]	–
(Accum Units)	5¼ 59.36	59.36	64.00	[illegible]	–
Australian Growth	5¼ 43.21	43.21xd	46.15	[illegible]	2.65
Drayton Japan	5¼ 52.80	52.80	55.58	[illegible]	–
Europe Perf	5¼ 72.02	72.02xd	77.23	[illegible]	0.37
(Accum Units)	5¼ 72.81	72.81	78.08	[illegible]	0.37
Euro Smaller Cos	5¼ 12.58	12.58xd	13.48	[illegible]	1.29
Far East	5¼ 65.33	65.33	69.41	[illegible]	0.34
French Growth	5¼ 39.09	39.09	41.90	[illegible]	0.54
Accum Units	5¼ 39.34	39.34	42.17	[illegible]	0.53
Hong Kong	5¼ 22.32	22.32	23.87	[illegible]	2.52
Intl Growth	5¼ 37.59	37.59xd	39.93	[illegible]	1.92
Intl Recovery	5¼ 27.22	27.22xd	28.92	[illegible]	2.72
Japan Perf	5¼ 102.1	103.1	109.5	[illegible]	–
Accum Units	5¼ 102.1	103.1	109.5	[illegible]	–
Japan Smaller Cos	5¼ 23.16	23.16xd	24.60	[illegible]	–
Singapore ASEAN	5¼ 29.37	29.37	31.48	[illegible]	1.23
Accum Units	5¼ 29.38	29.38	31.50	[illegible]	1.23
SE Asia	5 73.78	73.78	78.30	[illegible]	0.93
Overseas Income Funds					
Intl Bond	5¼ 46.06	46.06	48.60	[illegible]	5.62
Intl Income & Gwth	5¼ 55.48	55.48	58.94	[illegible]	3.43
US Income	5¼ 47.11	47.11xd	50.31	[illegible]	4.48
(Accum Units)	5¼ 55.22	55.22	58.97	[illegible]	3.82

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

CROSSWORD

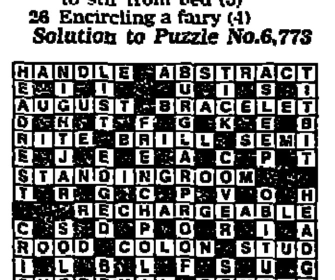
No. 6,774 Set by TANTALUS



ACROSS
1 Having freedom of movement in Alabama (6)
4 Players get girl a coloured handkerchief (8)
9 Not this but the other church roof (6)
10 Saint Peter sat back inside to read Greek ode (8)
12 One paying attention is silent maybe before the Queen (8)
13 Move smoothly – run to aircraft (6)
15 Novice takes part in county road show (4)
16 A carthorse in southern Scotland (10)
19 Claim before there is stress (10)
20 Containers for cannabis starting to sell (4)
23 Mad Hatter is a menace (6)
25 Suggest it is very personal (8)
27 In France, the one dear missile device (8)
28 Fasten one on small wheel (6)
29 He sat in a disturbed state of debility (8)
30 Bashful about worker seeing ramshackle hut (6)

DOWN
1 Large number support friend who is at sea? (7)
2 Restaurant makes money by the lake (9)
3 Small compartment is shut up with hesitation (6)
5 Book that initially all colleges took seriously (4)
6 Reveal that little boy is coming up nearby (8)
7 Fellow climbing accepts graduate is a wanderer (5)
8 New trainee at racecourse (7)
11 Musician finds small room first (7)
14 These days low resort has civil officer (7)
17 A calling for diversion (9)
18 Cleverly charmed Egyptian leader with diplomatic move (8)
19 Two girls showing a bit of leg! (7)
21 Walk and raise Japanese money for spare wheel (7)
22 Photo this at 8 sometimes (6)
24 Somewhat dangerous time to stir from bed (5)
26 Encircling a fairy (4)

Solution to Puzzle No.6,773



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FT UNIT TRUST INFORMATION SERVICE

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
TSB Unit Trusts (y) (1600)F						
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434						
TSB American	5	97.79	97.79	103.96	-0.18	2.14
Do Accum	5	104.96	104.96	111.58	-0.06	2.15
TSB Brit Growth	5	55.22	55.99	58.95	+0.32	3.22
Do Accum	5	57.78	57.96	61.66	+0.33	3.22
TSB European	5	53.17	53.32	56.72	+0.15	1.09
Do Accum	5	54.62	54.77	58.27	+0.16	1.09
TSB Extra Income	5	147.58	149.56	158.99	+2.29	5.71
Do Accum	5	190.50	192.78	205.09	+2.95	5.71
TSB Smaller Cos	5	54.26	55.85	59.41	+1.78	1.15
Do Accum	5	56.23	56.84	60.47	+1.81	1.15
TSB General	5	180.16	180.97	192.52	+0.87	3.26
Do Accum	5	313.05	313.26	333.26	+1.51	3.26
TSB Gilt & Fxd Int	3½	48.00	48.00	49.64	+0.11	8.88
Do Accum	3½	73.64	73.64	76.16	+0.16	8.88
TSB Income	5	270.47	272.01	289.37	+1.00	4.83
Do Accum	5	452.09	454.66	483.68	+2.79	4.83
TSB Pacific	5	206.53	207.60	220.85	+1.19	0.32
Do Accum	5	214.73	215.84	229.62	+1.24	0.32
TSB International	5	320.30	320.30	341.74	+1.64	0.87
Do Accum	5	404.76	404.76	431.06	+2.07	0.87
TSB Nat Resources	5	60.95	61.08	64.93	+0.90	2.40
Do Accum	5	63.92	64.64	68.77	+1.00	2.40
TSB Spcl Opps	5	88.42	81.40	86.60	+1.56	2.31
Do Accum	5	91.82	92.96	98.89	+1.78	2.31
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks. Admin: 0296 394008 Dealing: 01-379 0860						
American Eagle	5	63.38	63.38	67.41	-0.20	3.09
Australia	5	7.428	7.428	7.435	-0.02	0.10
Commodity	5	75.12	75.32	80.98	+0.26	0.61
Convertible	5	144.5	144.5	155.1	+0.6	4.93
Equity	5	155.0	156.0	166.4	-0.28	5.15
Euro Spec Sits	5	83.51	83.51	89.74	-0.38	1.52
Financial	5	30.67	30.94	33.40	+0.36	2.09
Global Opps Inc	5	55.24	55.24	59.54	-0.13	0.63
Global Opps Acc	5	55.24	55.24	59.34	-0.13	0.63
Gold Income	5	45.94	45.94	49.28	-0.21	0.00
Gold Acc	5	84.62	84.82	90.77	-0.38	0.00
Income	5	105.3	105.3	113.7	-0.2	4.46
Japan	5	121.2	121.2	130.6	+1.4	0.00
Pacific Inc	5	112.0	112.0	120.9	+0.9	0.06

	Bid Price	Offer Price	+ or −	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Exmt Oct 26	40.4	42.0	–	2.21
Euro Exmt Oct 26	42.3	44.4	–	2.28
F'Intl Int Ex Oct 26	49.6	52.0	–	9.66
Japan Exmt Oct 26	53.2	55.3	–	0.44
MJManagd Ex Oct 27	39.2	40.7	–	4.47
SE Asia Exmt Oct 26	35.5	37.2	–	1.91
Sm Cos Exmt Oct 26	43.8	45.9	–	2.98
UK Eqty Ex Oct 26	35.7	37.4	–	5.13
New Court Property Fund Managers				
NC Property	191.5	209.3	–	–
Phillips & Drew Fund Management Ltd				
PDFM Small Co Fd 2/10	771.0	827.0	–	3.75
Do Accum	795.0	844.0	–	3.75
PDFM Int Exmt Oct 27	127.2	129.3	–	2.76
J. Rothschild Fund Managers Ltd				
Intl Exempt	93.66	94.75	-1	2.92

INSURANCES

	Bid Price	Offer Price	+ or −	Yield Gross
AA Friendly Society				
Investment Mngt, M & G for Mngt Ltd				
AA Friendly Sy Oct 24	–	142.9	–	–
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	259.1	272.8	–	–
Equity Ser. 1	115.8	121.9	+0.3	–
Prop. Acc. Ser 2	387.0	407.4	–	–
Equity Ser 2	131.4	138.4	+0.5	–

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	56.2	58.2	+0.1	-
Stock Market Mngd Fund	52.9	55.7	+0.1	-
Equity Fund	57.1	60.2	-0.1	-
International Fund	49.3	51.9	+0.3	-
European Fund	51.6	54.4	-	-
North American Fund	44.9	47.3	-0.3	-
Pacific Fund	59.6	62.8	+0.7	-
Property Fund	67.1	70.7	+0.6	-
Fixed Interest Fund	53.4	56.3	-	-
Index linked Sec Fund	54.4	57.3	+0.4	-
Deposit Fund	54.6	57.5	-	-
NUAM Retirement Plans				
Mixed Fund	58.7	61.8	+0.1	-
UK Ordinary Share Fd	66.2	69.7	+0.1	-
International Fund	50.4	53.1	+0.2	-
Property Fund	64.8	68.2	+0.1	-
Fixed Interest Fund	57.7	60.8	-	-
Index Linked Sec Fund	54.9	57.8	+0.2	-
Deposit Fund	58.7	61.8	-	-
NUAM (MF)				
Managed Fund	753.8	793.5	+2.0	-
Equity Fund	1492.0	1570.6	-1.3	-
Property Fund	418.9	441.0	+4.2	-
Fixed Interest Fund	394.9	415.7	+0.2	-
Deposit Fund	223.6	235.4	+0.1	-
International Fund	128.4	135.2	+0.8	-
Index Linked Sec Fund	54.6	57.5	+0.4	-

Norwich Union Life Insurance Soc.
PO Box 149 Norwich NR1 3NG 0603 622200

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

105¼	99½	Do 2pc '92 (77.6)	105		1.99	2.79	
96¼	92½	Do 2pc '94 (102.9)	96¼		2.79	3.23	
141½	127¾	Do 2pc '96 (67.9)	141		2.92	3.29	
120½	103¾	Do 2½pc '01 (78.3)	120		3.28	3.52	
117¾	101½	Do 2½pc '03 (78.8)	117¾		3.37	3.58	
119½	102½	Do 2pc '06 (69.5)	119		3.45	3.52	
112½	95½	Do 2½pc '09 (78.8)	112		3.55	3.61	
116½	99½	Do 2½pc '11 (74.6)	116		3.47	3.63	
97½	82½	Do 2½pc '13 (89.2)	97		3.40	3.60	
105½	88½	Do 2½pc '16 (81.6)	104¾		3.43	3.57	
102½	87¼	Do 2½pc '20 (83.0)	102		3.38	3.51	
86⅝	73	Do 2½pc '24 (97.7)	86		3.36	3.47	

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1988: 103.7 and for September 1988: 108.4

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc.	11.00	8.44	11.69	Mthly
£10,000 and above	11.25	8.63	11.97	Mthly

Western Trust High Interest Cheque Acc
The Moneycentre, Plymouth PL1 1SE 0752 224141

£1,000–£4,999	11.00	8.44	11.61	Qtr
£5,000–£9,999	11.25	8.63	11.88	Qtr
£10,000–£49,999	11.50	8.82	12.16	Qtr
£50,000+	11.75	9.01	12.42	Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1 7AE 01-606 9485

High Int Cheque Acc	11.75	9.02	12.44	Qtr.

NOTES—Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. ♦ Distribution free of UK taxes. ● Periodic premium insurance plans. ‡ Single premium insurance. x Offered price includes all expenses except agent's commission. y Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Fed halts dollar's fall

INTERVENTION BY the US Federal Reserve led to a rally by the dollar yesterday. The US central bank bought dollars against the Japanese yen at least three times during the morning in New York, at rates of around Y124.80, Y125.00 and Y125.50.

Earlier in Tokyo the Bank of Japan began buying dollars at about Y125.75, but despite further support for the US currency from the Japanese central bank, it slumped below Y125.00 for the first time since June 10.

Bank of Japan intervention was estimated by the market at between $300m and $400m, *but this seemed* aimed at smoothing the dollar's decline rather than arresting it.

The main sellers of dollars in Tokyo were US investment banks, with one bank alone selling at least $500m, according to dealers.

Support for the dollar by the Federal Reserve was regarded as important for sentiment, with only the Bank of Japan showing its hand in the market until yesterday.

It had been suggested that the US authorities might be keen to get a depreciation of the dollar out of the way before the US Presidential election on November 8, but that was when Mr George Bush had a commanding lead in the opinion polls.

The recent improvement in the standing of Mr Michael Dukakis, in the contest for the White House, has tended to alter this view, and may have encouraged the Federal Reserve into the market to keep the dollar steady in the run up to the election.

There was no sign of any co-ordinated intervention, involving European central banks. Dealers in Frankfurt *saw no evidence of support for* the dollar by the West German Bundesbank.

The dollar fell to a low of Y124.45, but after intervention by the Fed closed at Y125.50, compared with Y125.75 on Friday. On the other hand it rose to DM1.7815 from DM1.7750; to SFr1.5015 from SFr1.4980; and to FFr6.0825 from FFr6.0650.

According to the Bank of England, the dollar's exchange rate index rose to 95.2 from 95.0.

Sterling had a firm tone, helped initially by the attraction of London's high interest rates as funds flowed out of the dollar.

The pound maintained most of its gains later in the day, in terms of European currencies. This reflected speculation that Mr Nigel Lawson, the Chancellor of the Exchequer, will forecast in his Autumn statement today, a narrowing of the UK current account deficit next year and a slowdown in the rate of inflation.

Sterling touched a peak of DM3.1575, before closing at DM3.1500, compared with DM3.1400. *It* also rose to SFr2.6550 from SFr2.6500, and to FFr10.7575 from FFr10.7250, but was unchanged at $1.7685, and fell to Y222.00 from Y222.50.

On Bank of England figures, the pound's index was unchanged at 76.4.

The South African rand lost ground in response to a weak balance of payments position, and the low price of gold. Sterling rose to a record R4.39 from R4.38 against the commercial rand.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.31	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4506	+2.34	+0.89	±1.5344
Danish Krone	7.85212	7.98926	+1.75	+0.30	±1.5404
German D-Mark	2.05853	2.07211	+0.66	-0.79	±1.0981
French Franc	6.90403	7.07235	+2.44	+0.99	±1.3674
Dutch Guilder	2.31943	2.33676	+0.75	-0.70	±1.5012
Irish Punt	0.768411	0.775764	+0.96	-0.49	±1.6684
Italian Lira	1483.58	1541.06	+3.87	+3.01	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct.31	Latest	Previous Close
£ Spot	1.7650-1.7655	1.7710-1.7720
1 month	0.51-0.50pm	0.52-0.51pm
3 months	1.49-1.47pm	1.49-1.47pm
12 months	4.75-4.65pm	4.75-4.68pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.31	Previous
8.30 am	76.5	76.2
9.00 am	76.4	76.3
10.00 am	76.5	76.4
11.00 am	76.5	76.4
Noon	76.6	76.3
1.00 pm	76.6	76.4
2.00 pm	76.6	76.4
3.00 pm	76.6	76.4
4.00 pm	76.4	76.4

CURRENCY RATES

Oct.31	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.758288	0.658170
U S Dollar	6.50	1.33762	1.17102
Canadian $	8.75	1.61009	1.42723
Austrian Sch	4	16.7644	14.5604
Belgian Franc	7	50.0103	43.4506
Danish Krone	7½	9.19681	7.98926
Deutsche Mark	3½	2.38498	2.07211
Neth Guilder	4	2.68795	2.33676
French Franc	9½	8.13407	7.07235
Italian Lira	12½	1774.22	1541.06
Japanese Yen	2½	168.741	146.026
Norway Krone	8	8.87645	7.72695
Spanish Peseta	-	157.677	137.067
Swedish Krona	8½	8.27318	7.20058
Swiss Franc	3	2.00977	1.74423
Greek Drach.	20½	N/A	170.699
Irish Punt	-	N/A	0.775764

*All SDR rates are for Oct.28

CURRENCY MOVEMENTS

Oct.31	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.4	-16.1
U.S Dollar	95.2	-12.5
Canadian Dollar	84.2	-2.3
Austrian Schilling	135.8	+10.2
Belgian Franc	98.8	-5.5
Danish Krone	89.9	+0.4
Deutsche Mark	145.5	+21.7
Swiss Franc	167.9	+20.3
Guilder	134.1	+14.1
French Franc	69.2	-15.1
Lira	45.4	-20.6
Yen	250.4	+84.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) **Rates are for Oct. 28.

OTHER CURRENCIES

Oct.31	£	$
Argentina	21.8100 - 21.9600	12.2800 - 12.3600
Australia	2.1625 - 2.1645	1.2185 - 1.2195
Brazil	818.80 - 822.65	461.05 - 463.05
Finland	7.4570 - 7.4790	4.2050 - 4.2070
Greece	257.15 - 261.56	144.65 - 147.15
Hong Kong	13.8645 - 13.8815	7.8085 - 7.8105
Iran	121.50*	68.25*
Korea(Sth)	1237.55 - 1247.50	698.50 - 704.30
Kuwait	0.49600 - 0.49650	0.27915 - 0.27925
Luxembourg	66.00 - 66.10	37.30 - 37.40
Malaysia	4.7350 - 4.7470	2.6690 - 2.6710
Mexico	4056.85 - 4075.75	2284.00 - 2294.00
N. Zealand	2.8325 - 2.8375	1.5950 - 1.5975
Saudi Ar	6.6645 - 6.6705	3.7505 - 3.7515
Singapore	3.5430 - 3.5485	1.9960 - 1.9980
S. Af (Cm)	4.3855 - 4.3970	2.4910 - 2.4925
S. Af (Fn)	7.0365 - 7.1785	3.9605 - 4.0405
Taiwan	50.35 - 50.60	28.45 - 28.55
U.A.E.	6.5260 - 6.5315	3.6725 - 3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

Belgian rate is convertible francs. Financial franc 66.35-66.45. Six-month forward dollar 2.75-2.70cpm 12 months 4.75-4.65cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.50-37.60.

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 9⅛-9⅜ per cent; three years 9¼-9½ per cent; four years 9¼-9½ per cent; five years 9⅜-9⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilt prices finish lower

UNCERTAINTY AHEAD of today's Autumn Statement by Mr Nigel Lawson, the UK Chancellor, restricted trading in yesterday's Liffe market. Long gilt futures failed to break the 10,000 barrier for December delivery, and the temptation to remain on the sidelines, together with sterling's late decline, left contract prices down on the day.

A firmer tone in cash rates saw the December short sterling price lower at 87.98, down from 88.10 at the start and 88.11 on Friday, while the long gilt contract slipped to 97-14 from 97-18 at the opening and 97-19 previously.

US Treasury bond prices recovered from a weaker start, as the dollar moved up after central bank support. The December price closed at 90-26, up from a low of 90-15 and Friday's close of 90-18. However, trading volume remained light, with investors looking ahead to today's US Federal Open Market Committee meeting, and release of US leading economic indicators.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 32,553

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%
ABN Bank	12
Adam & Company	12
AAB - Allied Arab Bk	12
Allied Irish Bank	12
● Henry Ansbacher	12
ANZ Banking Group	12
Associates Cap Corp	12
Authority Bank	12
● B & C Merchant Bank	12
Bank of Baroda	12
Banco Bilbao Vizcaya	12
Bank Hapoalim	12
Bank Leumi (UK)	12
Bank Credit & Comm	12
Bank of Cyprus	12
Bank of Ireland	12
Bank of India	12
Bank of Scotland	12
Banque Belge Ltd	12
Barclays Bank	12
Benchmark Bank PLC	12
Berliner Bank AG	12
Brit Bk of Mid East	12
● Brown Shipley	12
Business Mtge Tst	12½
CL Bank Nederland	12
Central Capital	12
● Charterhouse Bank	12
Citibank NA	12
City Merchants Bank	12
Clydesdale Bank	12
Comm. Bk N. East	12
Co-operative Bank	*12
Coutts & Co	12
Cyprus Popular Bk	12
Dunbar Bank PLC	12
Duncan Lawrie	12
Equatorial Bank plc	12
Exeter Trust Ltd	12½
Financial & Gen. Bank	12
First National Bank Plc	13
● Robert Fleming & Co.	12
Robert Fraser & Ptnrs.	12½
Girobank	12
● Guinness Mahon	12
HFC Bank plc	12
● Hambros Bank	12
Heritable & Gen Inv Bk	12
● Hill Samuel	§12
C. Hoare & Co.	12
Hongkong & Shangh	12
● Leopold Joseph & Sons	12
Lloyds Bank	12
Meghraj Bank Ltd	12
McDonnell Douglas Bk	12.25
Midland Bank	12
Mount Banking Corp.	12
Nat Bk. of Kuwait	12
NatWestminster	12
Northern Bank Ltd	12
Norwich Gen. Trust	12
PRIVATbanken Limited	12
Provincial Bank PLC	13
R. Raphael & Sons	12
Roxburghe G'rantee	12½
Royal Bk of Scotland	12
Royal Trust Bank	12
● Smith & Williamson Secs.	12
Standard Chartered	12
TSB	12
UDT Mortgage Exp	‡12.75
United Bk of Kuwait	12
United Mizrahi Bank	12
Unity Trust Bank Plc	12
Western Trust	12
Westpac Bank Corp.	12
Whiteaway Laidlaw	12½
Yorkshire Bank	12

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22%. Sanwise 8.47%. Top Tier-£10,000+ instant access 11.66% ‡ Mortgage base rate. § Demand deposit 7%. Mortgage 12.375% - 12.75%

MONEY MARKETS

UK rates firmer

UK INTEREST rates edged slightly firmer in London yesterday, ahead of this afternoon's Autumn Economic Statement by Mr Nigel Lawson, UK Chancellor of the Exchequer. Traders are not expecting any change in emphasis on interest rates or monetary policy, but investors are likely to remain on the sidelines until they hear the Chancellor's views and forecasts. The key three-month interbank rate was quoted at 12⅛-12 p.c. against 12$\frac{1}{16}$-11$\frac{15}{16}$ p.c., while the one-year rate moved up to 11⅞-11¾ p.c. from 11$\frac{13}{16}$-11$\frac{11}{16}$ p.c. Overnight money was available at 11⅞-11¾ p.c. to begin with, but moved up to 14 p.c., before slipping back to 8 p.c. during the afternoon. However, late balances were taken at up to 15 p.c.

UK clearing bank base lending rate 12 per cent from August 25 & 26

The Bank of England forecast a shortage of around £800m, with factors affecting the market including repayment of late assistance and bills maturing in official hands, together with a take up of Treasury bills draining £1,363m. There was also an unwinding of previous sale and repurchase agreements, which took £76m out of the system, while banks brought forward balances £10m below target. These were partly offset by Exchequer transactions, which added £200m, and a fall in the note circulation of £445m.

The Bank revised its forecast to a shortage of around £850m, and gave help in the morning of £123m through outright purchases of eligible bank bills; £98m in band 1 at 11⅞ p.c., £6m in band 2 at 11$\frac{13}{16}$ p.c., £15m in band 3 at 11¾ p.c. and £4m in band 4 at 11$\frac{11}{16}$ p.c.

Further assistance in the afternoon came to £292m and comprised further eligible bank bill purchases, £250m in band 1 and £42m in band 2, all at unchanged rates. Late help came to £575m, making a total of £990m.

In Frankfurt, the West German Bundesbank announced terms for a split sale and repurchase tender, based on the variable rate formula. The offer is made up of a 30-day and 63-day agreement, with no fixed rate. Successful applicants will be allotted funds at the rate at which they bid. Allocations will be made tomorrow, coinciding with two maturing facilities, which will drain DM26.2bn from the system. Repurchase facilities are normally announced on a Tuesday, but the latest facility was brought forward, because of the partial closure of financial centres today for All Saints' Day.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.31) 3 months US dollars		6 months US Dollars	
bid 8½	offer 8⅝	bid 8¾	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10
Broker loan rate	9¾
Fed.funds	8½-⅝
Fed.funds at intervention	8⅝

[illegible]

LONDON MONEY RATES

Oct.31	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	12	12	[illegible]	[illegible]	[illegible]
Interbank Bid	8	11⅞	11$\frac{15}{16}$	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	11$\frac{15}{16}$	[illegible]	[illegible]	[illegible]
Local Authority Deps.	12¼	11⅞	11$\frac{15}{16}$	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	12¼	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	15	11¾	11⅞	[illegible]	[illegible]	[illegible]
Company Deposits	-	-	12	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	11$\frac{15}{16}$	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	11$\frac{13}{16}$	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	-	-	11⅞	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	-	-	12¼	[illegible]	[illegible]	[illegible]
Dollar CDs	-	-	8.25-8.2[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	-	-	7¼	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	-	-	6⅞	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	-	-	7½	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	-	-	7⅜	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 11$\frac{11}{16}$ per cent; three months 11$\frac{5}{8}$ per cent; Bank Bills (sell): one-month 11$\frac{13}{16}$ per cent; three months 11$\frac{13}{16}$ per cent; Treasury Bills: Average tender rate of discount 11.5015 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Oct.31, 1988. Agreed rates for period November 26,1988 to December 25, 1988, Scheme I: 13.07 p.c. Schemes II & III: 13.27 p.c. Reference rate for period October 1,1988 to October 31, 1988, Scheme IV&V: 12.035 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from November 1, 1988: Bank Deposit Rates for sums at seven days notice 3.75 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5,1988. Deposits withdrawn for cash 5 per cent.

LEGAL NOTICES

BRITISH AND OVERSEAS INSURANCE COMPANY LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at Room 200, Great Eastern Hotel, Liverpool Street, London EC2 on Tuesday 8th November 1988 at 11.00a.m. for the purposes of receiving a statement of affairs showing particulars of the company's assets, debts and liabilities, and to nominate a person to be liquidator and, if thought fit, to appoint a liquidation committee.

Creditors are only entitled to vote at the meeting if a proof of debt and proxy form has been lodged at the company's registered office P.O. Box 116, Bain Clarkson House, Haywards Road, Haywards Heath, West Sussex RH16 1GA no later than 12 noon on 7th November 1988.

Secured creditors must give particulars of their security and its value, for the purposes of voting for the value of the balance of the claim.

A list of names and addresses of the company's creditors will be available for inspection, free of charge, at Sidney House, Queens Road, Haywards Heath, West Sussex and 128 Queen Victoria Street, London EC4P 4JX on 4th and 7th November between the hours of 10.00 a.m. and 4.00 p.m.

Dated 18th September, 1988

By Order of the Board
E.P. Proctor,
Director

CLUBS

ART GALLERIES

LONDON STOCK EXCHANGE

Awaiting the Chancellor's Statement

INVESTMENT ACTIVITY in the London equity market was subdued yesterday as the City awaited the Autumn Economic Statement expected today from Mr Nigel Lawson, the Chancellor of the Exchequer. Technical factors – a number of major stocks had their prices adjusted for dividend payments – dragged market indices down. Little selling was seen, however, and once again there was no lack of support for special situations.

The stock market appeared relaxed ahead of Mr Lawson's statement, anticipating a forecast of a "soft landing" for the UK economy. However, London was taking a cautious view of the New York market, and of new signs of competitive pressures in the London securities trading arena. Share prices tried to make headway at first but were checked by a weakening dollar. At mid-session, the FT-SE Index dipped through the 1850 mark again, but steadied later as Wall Street rallied from an early fall. The final reading on the Footsie showed a net fall of six points at 1852.4. Seaq turnover of 348.5m shares indicated a return to sluggish trading.

Wall Street's performance was watched carefully as London measured the latest developments in the dollar and in the Presidential election race, and also the downturn in US corporate bonds.

Among leading shares to fall sharply as ex dividend quotations took effect were GUS and Lucas, as well as Ladbroke which also disclosed a £20m hotel deal in Spain. The annual report from Glaxo failed to satisfy speculators in the pharmaceutical sector.

The market's ego, if not its underlying confidence, was bruised by a new round of important staff departures at Citicorp Scrimgeour Vickers, the UK securities arm of the large US bank. The departures were seen as a further blow to Citicorp's efforts to rally its London market offshoot.

Takeover stocks remained active, although attention turned again to the US side as Kraft and Philip Morris announced a $13.1bn merger of their business operations. There was a mild response to news that Mr Robert Maxwell had paid $750m for most of Dun & Bradstreet's airline publications businesses. However, press suggestions that GEC, the major British electricals and electronic group, might face a buyout move from across the Atlantic found some support in the UK market.

Shares in Consolidated Gold Fields moved up, ending firmly following a clarification from the UK Department of Trade and Industry of its decision to refer Minorco's £2.9bn bid to the Monopolies and Mergers Commission. Gold Field's annual meeting takes place tomorrow, and Minorco is expected this week to decide whether to revive its bid, or to abandon its plans to acquire the UK-based mining group.

Account Dealing Dates		
*First Dealings:		
Oct 17	Oct 31	Nov 14
Option Declarations:		
Oct 27	Nov 10	Nov 24
Last Dealings:		
Oct 28	Nov 11	Nov 25
Account Day:		
Nov 7	Nov 21	Dec 5

*New time dealings may take place from 9.00 am two business days earlier

NEI's power play

The huge turnover in NEI stock at the end of last week was followed by news yesterday that engineering group Rolls-Royce has taken a 4.7 per cent stake in the electrical engineering group – "for investment purposes", according to Rolls.

NEI shares jumped 17 to 123p. Analysts say the Rolls Royce move now puts NEI "in play". Rolls-Royce was not on most lists of possible predators for NEI and this latest move is now seen as a "prelude to a full bid: RR is looking to and needs to diversify into the power plant industry," said one analyst.

With a profits recovery under way – the company is quite capable of making £60m pre-tax for 1989 say analysts – there appears to be a bid battle looming in this stock.

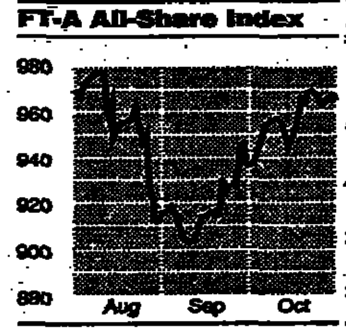
Other potential bidders for NEI include GEC, BICC and Hawker Siddeley. "It looks as if there could be a major confrontation between Mitsubishi and Rolls Royce as to who gets control of NEI – the latter will not agree to a bid below 150p a share and NEI is clearly looking to Mitsubishi as its long-term partner", said another top analyst.

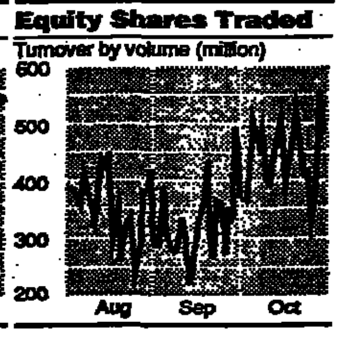
Beecham rivalry

Beecham became the centre of attention among leading pharmaceutical issues. The shares fell 5 to 470p on turnover of 1.8m after Genentech, its US rival, gained approval for UK marketing of its tPA drug somewhat earlier than expected.

Beecham's rival drug, Eminase, used for the treatment of heart attack patients, is expected to receive similar approval sometime next year, with one rumour suggesting January as a possible date. Most analysts think approval is more likely to be granted in the early summer, giving Genentech time to establish a market for tPA.

Chris Woodhouse and Jacqueline Cantle at Citicorp Scrimgeour Vickers pointed out that rivalry between the two drugs has focused on price, with Beecham's drug seen as a much cheaper alternative to TPA. There was speculation yesterday that Genentech may be planning to launch tPA at a price substantially below that which it currently fetches in West Germany and the US. A UK price of £500 per treatment was being mentioned, against the typical $2,200 charge elsewhere. This would prelude price cuts in other markets, intensifying competition between Beecham and Genentech for the lucrative market.





Focus on GEC

Weekend comment on the possibilities of a US-sourced leveraged takeover bid for UK electronics giant GEC saw the latter's shares move up 5 more to 175½p on turnover of 13m. The press stories were accompanied by a reaffirmation of the buy recommendation currently issued by Kleinwort Benson's electronics team which also highlights the attractions of GEC as "a fine example of a company whose share price, in the management's view, in no way reflects a fair valuation of its constituent businesses."

Pinpointing GEC's 8 per cent outperformance over the last three months, Kleinwort says the shares are giving a "strong technical buy signal", indicating that the share price "could reach 200p in the medium term".

Kleinwort also says that a post-management buy-out GEC would be "able to service its borrowings comfortably at the current rate of operating profits, notwithstanding the possibility of raising further cash by making some strategic disposals. We continue to believe that GEC is both undervalued and moving off the profits plateau it has occupied for five years".

International stocks received no favours from Wall Street yesterday and despite rallying late in the day ended generally slightly worse. Glaxo released its annual report in immediate comment that it contained nothing unexpected and the shares fell 3 to 1120p. ICI was described as dreary by dealers and the shares lost 7 to 1047p in turnover of 1m.

The Beecham news also affected Wellcome which dropped 6 to 481p. Smith & Nephew rose strongly late on to end 3⅛ better at 129p, while BOC gave up 2 to 429p in light interest after last week's good run.

The banks made good initial progress, faltered in mid-session and then pushed ahead strongly towards the close with dealers citing expectations that the Lloyds/Abbey move will get the go-ahead as the major reason for the late surge.

Lloyds, where turnover came out at 1.1m, was well supported and improved to close a net 5 higher at 339p. The other big-four stocks settled with only minor falls.

Life assurances gave ground on general lack of interest and worries over the imminent disclosures on expenses and taxation. The increasing probability that the Lloyds deal will go through saw Abbey Life retreat 6 to 253p.

Brewery stocks remained dull. Scottish & Newcastle rose 1¼ to 402p in turnover of just over 600,000 shares. Elders IXL now holds 13.4 per cent and the balance of opinion in the market thinks its £1.6bn bid may have to be increased, but may yet escape referral to the Monopolies & Mergers Commission.

Burtonwood improved 8 to 187p ahead of Thursday's figures which are expected to be good and may be accompanied by news of an asset revaluation.

Hogg Robinson rose 12 to 188p in early trading after a weekend press report suggested that the transport, financial services, travel and estate agency group might soon be the target of a break-up bid. The speculation was that employment agency Select Appointments wants to buy Hogg's estate agency chain, a story which Mr Brian Perry, chairman of Hogg Robinson, described as "without foundation."

According to SBCI Savory Milln, the link does not make any sense. "If anything, it is likely to be the other way around as Hogg Robinson is thought to be looking to move into the employment agency business." By the close Hogg Robinson had eased to 185p, a gain of 9 on the day.

Lloyds Chemists went against the trend, closing 5 better at 154p on speculation that one of two pharmaceutical groups – thought to be Wellcome or Macarthy – is close to bidding for the company. Fine Art Developments advanced 8 to 248p on news that it is discussing the possibility of establishing a UK joint venture with Hamburg mail order house Otto-Versand.

Lee Cooper jeans manufacturer Vivat slumped 18 to 83p after revealing a half-year loss of £3m and announcing that its recent bid discussions have collapsed. Amber Day, which was thought to have been the Vivat suitor, gained ½p on the news to close at 52½p.

Leisure issues were again active, with Pleasurama, 6 higher at 241p, and Mecca Leisure, up 5 to 174p, attracting keen support as investors expressed their approval of the group that will emerge from Mecca's recent takeover. Wembley jumped 36p to 155p following the announcement of talks with property group Mountleigh.

Ladbroke shares went ex-dividend, but rallied to close only 6 down at 452p, effectively a gain on the day. The company announced the purchase of a hotel in Barcelona which will become the latest addition to its Hilton chain.

Another flurry in shares of Pilkington was inevitably ascribed to revived BTR bid speculation, but a more likely reason was strong Japanese support following a Tokyo presentation, hosted by Daiwa Securities, to 120 fund managers yesterday. Pilkington, up 6½ at 236½p in turnover of 7.7m shares, triggered a chart buy signal recently when moving above 220p.

Eurotunnel responded further to reports of drilling progress and a securities house recommendation. The units, said to be undervalued, gained 7 more to 352p. British Syphon, which only last Friday announced plans to go private, rose 8 further to 183p after Melton Medes revealed a 5.15 per cent holding. Irish selling in the wake of that country's relaxation of exchange controls lowered Waterford Glass 5½ to 85½p.

Mountleigh lost its early firmness to close a penny easier at 159p after confirming it is holding bid talks with leisure group Wembley, the owners of Wembley stadium. Mountleigh later scotched rumours that it will sell its Spanish department store chain Galerias Preciados to help pay for any acquisition.

Property stocks were otherwise quite well supported, with the sentiment initially helped by the debut of Smith New Court as marketmakers in Property shares. Turnover was better than of late, boosted by several large bargains including a ¼m-share cross in British Land, which closed 3 weaker at 347p.

Among the leaders MEPC were unchanged at 573p after 578p, and Land Securities 4 better at 589p on sprightly demand ahead of its debenture placing. Southend Properties added 8 at 162p as the market reacted positively to the appointment of James Capel as lead broker to the company ahead of Paribas Quilter Goodison.

Tootal benefited from revived takeover speculation, rising to 114½p. It was rumoured that the group was the new target for DMC, the French textile concern long said to be interested in UK manufacturer Dawson International. The latter remained at 220p after reorganisation details and news of Prudential Corporation's 5 per cent stake.

Rothmans International opened strongly on thoughts that the agreed Philip Morris merger with Kraft could lead to the former's disposal of its large Rothmans stake to fellow shareholder Rembrandt. But shares of Rothmans soon gave back the rise in small turnover to close easier on the day at 474p.

Lonrho volume dipped to only 3.5m shares, compared with last week's average daily turnover of five times that figure, but the shares retained their forward momentum to close 3¼ up at 395p. A media report that Bond Corporation had increased its holding from the recently announced 20 per cent to 25 per cent was given short shrift by marketmakers.

Turnover in Traded options reached the modest levelof 28,185 contracts, consisting of 19,137 calls and 9,048 puts,with little excitement in individual stocks. The expiry of the FT-SE 100 contract for the month brought little interest on its own account, even though it accounted for a fifth of overall options dealings, at 5,745 contracts, made up of 1,998 calls and 3,747 puts. Prices on the contract weakened.

GEC made a late run to become the most heavily traded options stock, on turnover of 2,297 contracts, comprising 2,293 calls and only 4 puts. Business was concentrated substantially in the January 160 calls, which came to 1,258 contracts, and in the January 180, at 550.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 31

FINANCIAL TIMES STOCK INDICES

	Oct. 31	Oct. 28	Oct. 27	Oct. 26	Oct. 25	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.31	89.31	89.27	88.74	88.76	89.76	91.43 (18/4)	86.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.63	97.59	97.52	97.46	97.48	93.55	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1501.7	1508.9	1502.6	1503.2	1500.9	1342.7	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	168.9	166.6	167.0	166.5	166.5	314.9	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Dl. Yield	4.65	4.63	4.61	4.64	4.64	4.60				
Earning Yld %(full)	11.72	11.65	11.60	11.68	11.68	11.43				
P/E Ratio(Net)(*)	10.34	10.40	10.45	10.37	10.37	10.70				
SEAQ Bargains(5pm)	22,241	27,734	29,208	23,634	23,495	43,020				
Equity Turnover(£m)†	-	1140.60	1424.99	906.04	933.44	1182.30				
Equity Bargains†	-	29,214	28,472	23,942	23,625	63,413				
Shares Traded (ml)†	-	479.9	555.3	378.3	328.3	555.0				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1509.8	1510.1	1503.8	1504.2	1499.9	1499.4	1500.1	1499.6

DAY'S HIGH 1510.2 DAY'S LOW 1497.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 10.24 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Oct. 28	Oct. 27
Gilt Edged Bargains	102.2	126.6
Equity Bargains	189.3	184.5
Equity Value	2305.5	2880.3
5-Day average		
Gilt Edged Bargains	108.6	112.5
Equity Bargains	166.8	165.4
Equity Value	2219.5	2211.5

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,300	152	-1
Abbey Life	2,000	253	-6
Allied-Lyons	3,000	478	+1
Amstrad	738	204	-1
Argyll Group	1,085	176	-4
Ass. Brit. Foods	963	[illegible]	+½
BAA	943	284	
BAT	1,600	470	-4
BET	3,700	243½	-2½
BICC	312	324	-3
BOC	659	429	-2
BPB Inds.	840	368	+5
BTR	993	292½	-½
Barclays	1,100	412	-1
Bass	343	856	-3
Beazer	363	181	+1
Beecham	1,800	470	-5
Blue Arrow	3,000	98½	-1
Blue Circle	141	453	-5
Boots	2,700	223	
British Airways	980	166	
Brit. Aerospace	1,200	492	
Brit & Comm.	899	243	
British Gas	3,100	165½	-1
British Land	1,900	347	-3
BP	1,700	243½	-1½
British Telecom	2,600	245½	-½
Burmah Oil	137	542	
Burton	756	207½	+1
Cable & Wireless	659	481	-3
Cadbury Schweppes	831	375	-4
Coats Viyella	2,900	116½	+½
[illegible]			

NEW HIGHS AND LOWS FOR 1988

[illegible] Prestwick 7¼pc Prf., ENGINEERING (4) Hall Engineering, Renold, Staveley Inds., TI Grp., FOODS (2) BSN, Barr (A.G.), Low (Wm.), HOTELS (1) Friendly Hotels, INDUSTRIALS (16) ASD, Allied Part., Bodycote Int'l., Brit. Syphon, C'bell & Armstrong, Cooper (A.), Norfolk House Grp., Nu-Swift, Scott Robertson, Shanks & McEwan, LEISURE (2) LWT, Wembley, NEWSPAPERS (1) Blenheim Exhibits., [illegible] Motorola, Tunstall Grp., INDUSTRIALS (2) GR (Hldgs.), Pentland, INSURANCE (1) NZI Corp., PAPERS (2) KLP Grp., Peters (M.), PROPERTY (1) Dukeminster, SHIPPING (1) Lon. O'Seas Frtrs., TRUSTS (3) Jos Hldgs., Riv. & Merc. Am. Inc., Siam Fund., OILS (2) Caspen Oil, Sandpiper Oil, MINES (4) East Rand Prop., Winkelhaak, Beatrix Mines, Jason Mining, THIRD MARKET (3) Far East Res., Feltrim Mining, Norton Grp.

APPOINTMENTS

Deputy chief executive of Cable & Wireless

■ CABLE & WIRELESS has appointed Mr Gordon Owen as deputy chief executive of the group from December 1. He will retain his title and responsibilities as managing director of Mercury Communications. From the same date Dr Brian Smith and Dr Janet Morgan become non-executive directors. Dr Smith is chairman of MB Group (previously Metal Box) and Dr Morgan is a telecommunications consultant. Their appointments follow the retirement of Mr David Berriman as a non-executive director. He is chairman of the North East Thames Regional Health Authority.

■ Mr Patrick Crockford has been appointed group financial director of JMD GROUP. He was with Atlantic Computers.

■ Mr P.J.O. Alcock, chairman, Hunslet Engine Co., has been elected chairman of the RAILWAY INDUSTRY ASSOCIATION.

■ Mr Keith Pagan has been appointed surveying director of BUXTON BUILDING CONTRACTORS, construction arm of W. & R. Buxton. He was the group's chief surveyor.

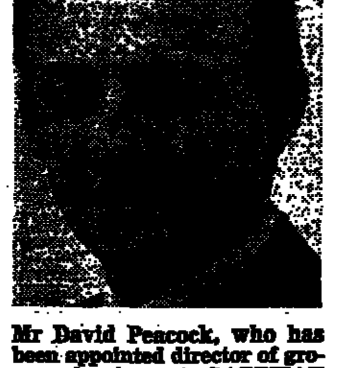
■ Mr D.Tyler has been appointed a director of LLOYD THOMPSON.

■ Mr Robert Hewitt has been appointed a non-executive director of J. HEWITT & SON (FENTON).

■ Mr Derek Scrivener, previously a director of Capel-Cure Myers and chief executive of its financial services subsidiary, and Mr Kenneth Hughes, a director of CCM, have been appointed directors of ROYAL TRUST ASSET MANAGEMENT.

■ THE SUN LIFE GROUP has made the following appointments to the board of a new subsidiary, Sun Life Financial Associates: Mr Ian Gillespie-Smith, managing director; Mr Andrew Veal, deputy managing director; Mr Paul Barlow, financial director; and Mr Frank Berry, Mr Tom Swan and Mr Peter Austen, directors.

■ Following the acquisition of RA (air conditioning) by IMI AIR CONDITIONING last May, the management has been re-organised. Mr Roy Holden remains managing director of the wholly-owned IMI subsidiary. Mr Les Foley, previously managing director of RA (air conditioning), becomes technical director, with Mr Douglas Paterson as deputy. Mr Ron Jubb moves from finance and administration director to become operations director, being succeeded by Mr Richard Dossett. Mr Alan Manby becomes works director. Mr Joe Ross becomes UK sales director, and Mr Brian Thompson overseas sales director.



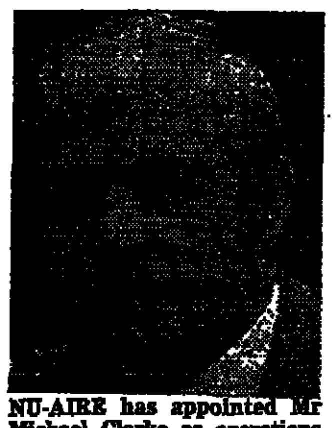
Mr David Peacock, who has been appointed director of grocery buying at GATEWAY FOODMARKETS, Bristol. He has been promoted from service director - buying. Mr Peacock has held this post since 1986 when the Carrefour hypermarket chain integrated with Gateway. He takes over from Mr Maurice Moloney who is now managing director for buying. Mr David Kelly, who was service director - distribution, becomes director of distribution. He succeeds Mr Barry Norris who has been promoted to managing director for distribution, planning and personnel.

■ Mr Kevin Milner has been appointed managing director (finance and development) of THE NATIONAL HOME CORPORATION. He was finance director, and will retain responsibility for finance, treasury and central services.

■ Mr Bill Pickstone has been appointed a non-executive director of E.B. CROWHURST & CO. He will be responsible for production.

■ Mr David Lattimore has been appointed commercial and marketing director of UNIGATE DAIRIES.

■ JOSIAH PARKES & SONS, lock maker, part of the Racal Electronics Group, has appointed Mr Tim Wordley as manufacturing director. He was general production manager.



NU-AIRE has appointed Mr Michael Clarke as operations director. He was operations manager.

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
70½	43¼	Time Inc $1	63½	+⅛	$1.00	–	0.9
21½	15⅞	Transamerica $1	19⅝	.....	$1.84	–	5.6
20⅛	14⅛	TRINOVA Corp	14	–⅛	64c	–	2.6
19	15⅛	USX $1	15	–⅛	$1.20	–	4.6
24	17⅝	Utd Technologies	23⅝	–⅛	$1.60	–	4.0
34⅞	26¼	US West	32⅜	...	$3.52	–	6.4
24⅞	16⅞	Waste Management $1	22¼	–⅛	48c	–	1.3
16⅞	12⅞	Whirlpool $1	15⅛	–⅛	$1.10	–	4.3
33¼	18¼	Woolworth $3½	30⅛	–⅛	$1.64	–	3.2

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	154p	ABM Gold Corp	179p	–9	–	–	–
32p	11p	Abbot Energy Corp	15p	+½	–	–	–
14¼	916p	Amer Barrick Res	968p	–32	–	–	–
10p	2½p	American Lightwave	3¼p	+¼	–	–	–
47p	7½p	Armeno	8p	–1	–	–	–
76p	37p	Augmitto Expln	46p	–1	–	–	–
14⅛	10⅝	Bk Montreal	13⅝	...	$2.00	–	7.1
704p	514p	Bk Nova Scot	712p	.	76c	–	5.2
18¾	15¼	BCE	18¼		$2.44	–	6.5
716p	591p	Bow Valley	594p	–24	40c	–	3.3
13⅝	10½	Brascan	12¼	–½	88c	–	3.5
328p	183p	Breakwater Res	201p	–4	10c	–	2.4
12¼	801p	Can Imp Bank	11⅞	..	$1.16	–	4.8
11½	841p	Can Pacific	988p	–24½	76c	–	3.7
41½	38½	Do 4pc Deb £100	38½	.	4%	–	10.4
515p	362p	Central Capital "A"	397p	–15	–	–	–
485p	378p	Corona Corp	403p	–9	–	–	–
880p	265p	Cons TVX Min.	272p	+6	–	–	–
371p	76p	Canbus Res	89½p	–½	–	–	–
686p	450p	Derlan Inds	559p	–12	11.75c	–	1.0
14¼	864p	Echo Bay Mines	864p	–19	$0.07	–	0.5
40p	11½p	Energex Minerals	11½p	–½	–	–	–
125p	85p	Euro-Asia Capital Ltd	92½p	–2	–	–	–
366p	222p	Galactic Resources	282p	–1	–	–	–
125p	59p	Geodome Res.	62p	+3	–	–	–
394p	164p	Granges Expln	163p	–6	–	–	–
17p	7p	Gt Pacific Res	7p	.....	–	–	–
903p	652p	Gulf Canada	689p	.	52c	–	3.7
12⅝	810p	Hawker Sid Can	10	–⅛	$1.08	–	5.3
590p	344p	Henlys Group	444p	–9	–	–	–
10	785p	Hudson's Bay	969p	–14	60c	–	3.0
28	22⅞	Imperial Oil	23¼	–¼	$1.80	–	3.8
20⅞	10⅛	Inco	15⅞	–⅛	US$0.80	–	3.0
718p	462p	Inland Nat Gas $1	594p	–1	60c	–	4.9
250p	138p	Madeleine Mines	141p	–3	–	–	–
207p	126p	Mufuscocho Expln	182p	–4	–	–	–
187p	65p	Nini Business Sys	75p	–7	–	–	–
245p	110p	Nevada Goldfields	124½p	–2½	–	–	–
12	787p	Rio Algom	10	–¼	$1.30	–	6.3
17⅛	11½	Royal Bk Can	16½	–½	$2.08	–	6.1
35¼	26⅝	Seagram	33⅞	–¼	US$1.20	–	2.1
361p	113p	Sonora Gold Corp	113p	–2	–	–	–
121p	19p	Spiral Eng	46p	–1	–	–	–
150p	35p	Tam Pure Tech Corp	115p	–7	–	–	–
18⅛	11⅛	Toronto-Dom Bk.	17¼	–⅛	$1.12	–	3.2
654p	560p	Trans Can Pipe	635p	–7	68c	–	5.2
205p	127p	Varity Corp	163p	.....	B	–	–

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*258	124	ANZ $A1	254	–1	Q21c	3.1	4.0	8.1
*271	180	Allied Irish.	243	–6	07.2%	3.1	6.3	8.4
£13¼	£10	Algemene Fl 10	£12¼	....	Q27%	1.9	6.2	–
73	58	Anglo Irish.	73	....	Q19.6%	1.2	5.6	22.8
90	64	Ansbacher (H.) 1p.	83	+1	2.0	–	3.2	–
£40½	£24¼	Banco Bilbao Viz	£37½	..	Q67.2%	3.1	4.4	7.2
£35¾	£27¼	Banco de Santander	£32	..	Q22%	2.4	1.7	24.8
*272	184	Bank Ireland IrE1.	243	–4½	Q15.67%	3.3	5.4	7.6
£18½	£15	Bank Leumi	£18½	..				–
350	350	Bank Leumi (U.K.)	350	.	12.4	–	4.7	–

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Contd

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1988 High	Low	Stock		Price	+ or −	Div Net	C'vr	Gr's	P/E
[illegible]									
51	40	Pennine Optical 2½p	y	41	+1	–	–	–	11.0
60	33	Propeller 1p	y	44		–	–	–	22.2
63	60	Rentaprinter 5p	y	61	−1	n1.0	4.3	2.3	14.3
237	150	Royal Sovereign 10p	y	218		†4.6	1.9	2.8	20.4
26	22	Scott Pickford 10p	y	22½	+½	3.1	0.7	18.4	11.7
116	68	Seacon Hldgs	y	101		Z1.0	–	1.3	–
15½	9	Sonic Tape 2½p	y	9		–	–	–	11.8
27	18	Stalks Hldgs. 5p	y	22	+1	–	–	–	26.0
4½	2½	Swansyard Studios 1p	y	3½		–	–	–	♦
308	200	Tasarr	y	298	−5	b1.0	8.1	0.4	30.6
36	26	Tomorrow Leisure 20p	y	28	−1	–	–	–	♦
25	13½	Tullow Oil 10p	y	22	+1	–	–	–	–
135	110	UPL Group 10p	y	113		L2.41	4.5	2.8	15.4
182	120	Unix Group	y	145		5.0	2.9	4.6	8.2
125	85	Video Tape Rec 5p	y	110		L2.3	2.3	2.8	15.8
6	2	Wilton Group	y	5½d		–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha, β Beta, γ Gamma

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	y	71	...
Craig & Rose £1	y	690	...
Finlay Pkg 5p	y	86	...
Holt (Jos) 25p	y	£11¾	...

IRISH

Cap 9½% Ln. 1991	£99⅝	...
9pc Cap Ln 1996	£103½	...
Fin. 13% 97/02	£124½	...

Arnotts	y	395	...
Carrol Inds.	y	167	...
Grafton Grp.	y	145	...
Hall (R. & H.)		158	...
Heiton Hldgs	y	65	...
Irish Ropes	y	165	...

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit. Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons.	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk	52
P & O Dfd.	52
Plessey	16
Polly Peck	38
Racal Elect.	32
RHM	38
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

COMMODITIES AND AGRICULTURE

Nickel surges $1,250 on fall in LME stocks

By Kenneth Gooding, Mining Correspondent

A SHARP fall in the London Metal Exchange nickel stocks announced yesterday prompted a jump of $1,250 to $13,150 a tonne in the price of metal for immediate delivery.

Although the three-month price also rose, by $750 a tonne to $11,625, the premium for cash compared with metal for delivery in three months widened to $1,525 a tonne.

Yesterday's activity took the price of three-months nickel through the psychologically-important $5 a lb barrier to $5.27 a lb last night.

"Once it went through that barrier it turned a lot of people round and they started to buy," said Mr Stephen Briggs, an analyst with Shearson Lehman Hutton's London Metals Research Unit.

He said that Shearson's soundings of the market suggested that demand for physical metal was softening and that there was increasing availability of stainless steel scrap – used by the stainless industry instead of nickel.

However, the LME reported yesterday that stocks of nickel in its warehouses dropped by 516 tonnes, or about one quarter, to 1,422 tonnes last week. "There's virtually nothing left there now," said Mr Briggs.

There were several rumours about the reason for the sharp drop in LME stocks, including suggestions that the Chinese were major buyers of nickel. Technical problems at the Jinchuan smelter had forced the Chinese back into the market, traders said.

Analysts do not expect nickel to regain the peak of $22,200 a tonne for cash metal reached on March 28 this year.

Shearson predicts that cash metal will spend the final quarter of this year trading in the $5 to $5.50 a lb range, well below the $6.25 a lb for the first nine months but implying an average for 1988 of $6 a lb.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes		
Aluminium standard	−4,125	to 33,700
Aluminium high grade	+6,975	to 88,025
Copper Grade A	−9,250	to 56,975
Lead	−3,250	to 56,575
Nickel	−516	to 1,422
Zinc	+2,200	to 18,450
Tin	−450	to 8,770
Silver (ozs)	+40,000	to 15,175,000

Union leaders attack plan to cut farm R & D

By Jimmy Burns, Labour Staff

UNION LEADERS claiming to represent over 10,000 agricultural researchers, advisers and teachers yesterday warned that proposed cuts in Government spending on research and development would have a "catastrophic effect" on UK agriculture.

The proposed cuts, believed to total an estimated £31.5m, are part of a government-wide plan to transfer to industry the costs of "near market" research and development.

Mr Bill Brett, assistant general secretary of the Institution of Professional Civil Servants, yesterday challenged the Government's view that the cuts would provide a more rational ordering of the country's scientific base without any detriment to the public.

Mr Brett said: "The identification of work as 'market' is a shroud, behind which is concealed an illogical and unworkable programme of cuts."

Union leaders believe that industry will be unable to provide sufficient funding to ensure that the UK maintains its competitive position in the run up to the creation of a single European market in 1992. Instead they predict widespread closures of research and development establishments and the halting of work in such areas as pesticides, animal disease and pollution.

"If these cuts go ahead, by 1992 our competitors are going to be laughing all the way to the bank," Mr Brett said.

The Ministry of Agriculture, Fisheries, and Food said last night that no decision had yet been taken on the cuts.

However, union officials yesterday said they expected the Government was preparing to implement the cut backs on the basis of a report completed this summer by Mr Christopher Barnes, a senior Ministry official. They believed the cuts, over a three-year period starting from next April, had already been agreed between the Ministry and the Treasury.

Mr Brett described consultations conducted by the Government on the issue over the summer as inadequate and called for the establishment of a consultative machinery to enable industry to draw up a longer-term strategy for funding vital research.

Union leaders plan to step up their campaign against the proposed cuts over the next few weeks by lobbying Parliament.

AFBD prepares for fresh election

By David Blackwell

BALLOT PAPERS for a second attempt at an election for the council of the Association of Futures Brokers and Dealers have been arriving through the letter boxes of its 400-plus membership over the weekend.

The first attempt at the election – at the association's Annual General Meeting on October 21 – ended in disarray, with members voting to defer the election for three council places until November 16. It was decided to call in Deloitte, Haskins & Sells, the management consultancy group, to run the second election.

Some members have been sharply critical of the way in which the initial election was conducted, describing it as a disaster for the AFBD, the Self Regulatory Organisation for futures trading in the City.

One member said that the association had some internal problems, and there there was a certain amount of frustration with the executive board.

Mr Alistair Annand, chief executive of the association, said yesterday the election had been deferred because of a procedural error over proxy votes. The situation had been exacerbated by the postal strike, he added.

He denied, however, that there were any internal problems at the association.

"We haven't time for factions," he stated. "I would say morale is extremely good."

The Commodity Traders Group, a pressure group set up early this year to consider the implications of the Financial Services Act for their businesses, has put up two of the six candidates for the seats on the AFBD council. The three places have become vacant under the association's rotation rules. The council oversees the AFBD ensuring compliance with the Securities and Investment Board rules and ratifying executive board decisions.

Mr Martin Emery, of Sucden, the sugar trader, and a spokesman for the group, said yesterday that its members believed that it could work more effectively for change from within the association.

It was easier to explain the problems of commodity traders internally rather than externally, he said.

The group believes that regulation should be in place, but has argued that some rules are inappropriate for the trade end of the market.

Mr Emery said his group was satisfied with changes in the conduct of business rules, but not so much progress had been made in the financial resources rules.

Cleaning up on wool exports

Chris Sherwell on a controversy in Australia's processing industry

THEY ARE too polite to express anger, but they're certainly unhappy down at the vast Michell wool processing complex outside Adelaide. This is the seat of an unusual Australian dynasty – lasting six generations so far – and the Michells, long-standing wool buyers and processors, do not like what the Australian Wool Corporation is doing.

Neither do the commercial people over at the wool division of Elders IXL's agribusiness operations in Melbourne, which is even bigger than the Michells' when it comes to wool processing. The corporation, a statutory body which represents the interests of woolgrowers, is stepping on their toes too.

The problem is the AWC's direct involvement in the preliminary processing of Australia's most important export. Established processors, like the Michells, Elders and Dalgety, say the AWC is exposing itself to a conflict of interest by investing in processing. The AWC claims to have the support of growers, and says the processors are scared of competition.

At the centre of the controversy is Greenfields Woolscour, a high technology wool scouring company located just outside Melbourne, which opened last Friday. A year ago, the AWC announced it intended to be part of the growth in early stage processing in Australia and took a 49 per cent stake in the plant, being built by Bloch and Behrens of Denmark, a subsidiary of the East Asiatic Company.

The investment is one of several currently under way. Elders has embarked on a A$27m (£12.5m) expansion plan, announced in September, and Dalgety is expanding an existing plant with two Japanese partners. The overall idea is to encourage foreign buyers to take less wool in its raw or "greasy" form, which contains up to 40 per cent dirt.

Currently 85 per cent or more of the country's total wool clip is exported, but only 26-28 per cent is processed first – that is, scoured or carbonised, in the case of shorter fibres (the woollen system), or scoured and combed in the case of longer fibres (the worsted system).

Most processing done in Australia involves carbonising rather than combing, because overseas buyers of combing wools like to blend them with cheaper, low quality wools and anyway prefer to oversee the processing themselves from the greasy stage.

The 26-28 per cent figure may seem low, but it is double the level of 15 years ago and will increase still further, perhaps to 38 per cent, if the proposed expansions all take place. Early stage processing is reckoned to add about 40 per cent to the value of the wool, so it is plainly something worth pursuing, especially if the market is assured.

In the case of the AWC, the target market is Asia, and specifically China, which has been buying increasing quantities of Australian wool over recent years but appears to have trouble processing it efficiently at home.

Last month the AWC announced that the Tianjin Textile Import and Export Union, would buy half of its 49 per stake in Greenfields Woolscour, and provide the plant with a base load through an agreement to use half its capacity.

As the Chinese agency is responsible for all raw material purchases and the export of finished goods for Tianjin's textile industry, which employs 250,000 workers, the deal looks highly promising. Block and Behrens will also benefit by becoming purchasing agent for the Chinese in Australia.

The AWC, in a second, unpublicised move, is also understood to be negotiating with a West German company to set up another joint venture – a scouring and combing operation. Though the talks have yet to produce a firm agreement, it too would enhance Australia's value-added capabilities in wool.

So what is the complaint of the established processors, who include Japanese and French interests and local cooperatives as well as large concerns like Michell and Elders? After all, it has long been part of the AWC's brief to encourage wool processing, even if its main task is running a price support scheme for woolgrowers.

One criticism is that the AWC investment will result in overcapacity by adding to the dramatic increase in early stage processing already under way in Australia and South-east Asia. That in turn threatens existing, smaller operators, of which there are many.

It also makes the investment itself risky, in what is widely regarded as a hazardous business. If, however, the AWC's move downstream is successful, existing processors worry that the organisation might seek to expand its activities still further.

The more serious complaint concerns the AWC's role. The processors claim, the corporation cannot, on the one hand, buy and sell wool under a price support scheme designed to help growers, and on the other, get into the business of growers' clients by investing in a processing plant of its own from which it hopes to reap a profit. Would the plant process the AWC's wool, or someone else's?

For its part, the AWC acknowledges that woolgrowers were initially unsure what to make of its moves, but insists now that it has their support because it is in their best interests. A lack of processing capacity in Asia and pollution worries in Europe, it says, make it worthwhile for woolgrowers and the industry to invest in a value-adding process in Australia – which, it adds, should be judged simply by on commercial success.

This is not a controversy which is grabbing newspaper headlines, but it has ruffled plenty of feathers within the industry over the past year and is likely to continue for some time longer. No one cares to predict who will come off worst.

Hopes high for renewal of rubber pact

By Wong Sulong in Kuala Lumpur

MEMBERS OF the Kuala Lumpur-based International Natural Rubber Organisation (Inro) will meet this month to prepare for the coming into operation of the second International Natural Rubber Agreement next January.

During its seven years of operation the current pact has come to be regarded as the world's most successful commodity agreement, although its task of stabilising prices for the commodity has admittedly been eased considerably by the buoyancy of the world motor industry, the biggest user of natural rubber, and the AIDS crisis, which has boosted demand for condoms and surgical gloves.

Nevertheless, the performance of the rubber accord compares very favourably with other commodity pacts, at least from the viewpoint of producers. While the cocoa and coffee pacts have been struggling to lift prices into their target ranges, the Inro buffer stock manager's main problem in the past year has been in keeping rubber prices from rising too far above the "ceiling" level.

In spite of falling sharply from the peaks reached in May, prices remain within Inro's upper intervention level, where the buffer stock manager has to be a net seller. And buffer stock sales of about 330,000 tonnes over the past 12 months are believed to have boosted the accord's finances by more than 800m ringgit (£170m).

After meetings of the committees on administration, statistics and buffer stock operations between November 14 and 17, the curtain will be rung down on Inra I at the final session of the governing council from November 18 to 21. That will be followed by a meeting of the preparatory committee on the second Inra from November 22 to 24.

The most important item facing the 32-nation Inro council is the review of the buffer stock operations, and the status of the substantial funds derived from buffer stock sales, which are currently placed in fixed deposits in various currencies at various banks.

While some members would like to see the money "rolled over" to the second agreement, others feel Inro does not need such substantial cash holdings and that part of it should be redistributed among members.

A few producers are also expected to express regret that the buffer stock manager had not cleared off his entire stocks during the rubber boom early this year, since the remaining 30,000 tonnes is currently having an overhanging effect disproportionate to its size.

"It would be ideal if the second agreement were to start with a clean slate, with no rolled over stocks and no overhang. But on the whole, the buffer stock manager has done a good job stabilising prices," said a Malaysian rubber official.

Another important point to be settled, particularly among producers, is the appointment of the next Inro executive director to succeed Mr Pang Soepartos of Indonesia. Both Malaysia and Thailand are bidding for the job, and the Thais have held back ratification of the agreement as a leverage for their claim.

Ratification of the second Inra will also be discussed. So far, only Malaysia and Indonesia on the producers side, and China and Japan among the consumers, have signed and ratified the pact.

The second Inra requires ratification from 75 per cent on both the producers and consumers for it to come into force next January. Otherwise, a special meeting has to be called to review the matter.

So far, Inro officials are confident that the necessary ratifications will be forthcoming before the deadline, but acknowledge that some consumers are showing a lack of interest in the agreement.

EC soya production triggers price cut

By Tim Dickson in Brussels

FURTHER EVIDENCE of the European Community's tougher approach to market management was provided yesterday when it was announced in Brussels that the guaranteed price of soya is to be cut by 10.35 per cent.

The move is a direct consequence of the system of automatic "stabilisers" approved by EC heads of Government at the February Summit and follows recent reductions for similar reasons in the price of sunflower seed and rapeseed.

Under the new arrangements soya prices have to be cut by 0.45 per cent for each percentage point of Community production above the fixed threshold of 1.3m. tonnes. Latest estimates put EC output at 1.6m tonnes.

The impact of yesterday's announcement – approved by the EC's oilseeds management committee – is slightly different in Spain where the target price will be cut by Ecu 4.59 per 100 kg, compared with Ecu 5.78 elsewhere in the EC.

Most interest in Brussels, however, is now centred on whether the Community cereals harvest will exceed the 160m tonne threshold agreed at the Summit. If it does prices will have to be cut by up to 3 per cent in the 1989-90 marketing year – a potentially awkward political decision in view of the high free market prices which have prevailed recently and the savings on export subsidies which the EC has made thanks to the US drought.

Canadian co-op merger studied

CANADA'S THREE independent farmer-owned grain co-operatives – the Saskatchewan and Alberta Wheat Pools and Manitoba Pool Elevators – are considering a merger so as to improve their position in increasingly competitive world grain markets, writes David Owen in Toronto.

The three companies control some 60 per cent of the domestic grain market and boast annual sales of about C$5bn.

Company delegates will vote next month on whether to give management a mandate to proceed with consolidation. This follows a study on the ramifications of such a move by an independent consultant.

Meanwhile, the Saskatchewan pool – the largest of the three – reported a near doubling of profit for 1987-88 to C$27.8m (£13m), but predicted a tough year in 1988-89 following this year's drought.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices declined, under pressure from the weakness of the *dollar against the pound and* liquidation in the nearby contract. Three-month robusta lost £17 to close at £1,096, the first time it has been below £1,100 since September 15. Lack of constructive news and no change in the familiar pattern of hand-to-mouth buying from roasters kept both New York and London on the defensive, dealers said. They felt that producers had mostly withdrawn because of low prices, but noted background talk that producers had made significant *low-priced sales recently to countries* outside the International Coffee Organisation. In contrast cocoa prices moved ahead, with the market getting good support after recent weakness. However, the market is still watching for details of the proposed French aid package for the Ivory Coast.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$10.68-0.78x	-0.17
Brent Blend	$12.45-2.50z	-.175
W.T.I. (1 pm est)	$13.68-3.71x	-0.13
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$183-185	
Gas Oil	$117-118	+1
Heavy Fuel Oil	$59-60	-0.5
Naphtha	$133-136	+1.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$411.50	+0.25
Silver (per troy oz)♣	631c	+3
Platinum (per troy oz)	$547.5	+1.5
Palladium (per troy oz)	$123.25	+0.75
Aluminium (free market)	$2445.0	-52.5
Copper (US Producer)	141⅛-152c	+4
Lead (US Producer)	40c	
Nickel (free market)	565c	+20
Tin (European free market)	£4162.5	+10
Tin (Kuala Lumpur market)	19.33r	
Tin (New York)	340.5c	+1
Zinc (Euro. Prod. Price)	$1437.5	
Zinc (US Prime Western)	70⅞c	
Cattle (live weight)†	110.27p	+1.45*
Sheep (dead weight)†	155.98p	+11.3*
Pigs (live weight)†	73.32p	+0.72*
London daily sugar (raw)	$273w	+1
London daily sugar (white)	$276w	+3
Tate and Lyle export price	£282.5	-1.0
Barley (English feed)	£114q	
Maize (US No. 3 yellow)	£126v	
Wheat (US Dark Northern)	£116w	
Rubber (spot)♥	57.5p	+0.5
Rubber (Dec)♥	64.5p	+0.5
Rubber (Jan)♥	65.0p	+0.5
Rubber (KL RSS No 1 Nov)	283.0m	+1.5
Coconut oil (Philippines)§	$580w	+10
Palm Oil (Malaysian)§	$430u	
Copra (Philippines)§	$370	
Soyabeans (US)	$184z	
Cotton "A" index	58.30c	-0.05
Wooltops (64s Super)	645p	-12

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov. x-Dec. w-Nov/Dec. v-Oct/Dec. u-Oct/Nov. q-Jan/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Dec	791	775	797 785
Mar	797	774	803 788
May	800	778	802 790
Jul	809	787	808 799
Sep	820	800	820 813
Dec	860	839	860 852
Mar	874	857	875 868

Turnover: 4181 (4434) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 28: 982.63 (985.05):10 day average for Oct 29: 1007.50 (1005.62).

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1073	1094	1089 1065
Jan	1096	1113	1104 1085
Mar	1110	1124	1116 1105
May	1115	1127	1117 1108
Jly	1120	1127	1114 1105
Sep	1120	1134	1111 1105
Nov	1125	1125	1105

Turnover: 8896 (5830) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 28: Comp. daily 113.41 (114.23); . 15 day average 113.77 (113.69).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	247.60	241.00	251.00 247.60
Mar	236.60	233.60	239.00 232.20
May	232.20	227.60	233.00 226.00
Aug	226.40	223.00	226.20 222.00
Oct	224.40	220.00	225.00
White	**Close**	**Previous**	**High/Low**
Dec	275.00	279.00	275.00 267.00
Mar	269.00	265.50	269.00 258.50
May	268.00	261.00	265.00 261.80
Aug	260.00	260.00	
Oct	260.00	260.00	

Turnover: Raw 1393 (3412) lots of 50 tonnes. White 1037 (894).
Paris- White (FFr per tonne): Dec 1700, Mar 1620, May 1603, Aug 1595, Oct 1590, Dec 1590

GAS OIL $/tonne

	Close	Previous	High/Low
Nov	121.00	120.50	122.00 120.00
Dec	121.50	121.50	122.50 120.50
Jan	121.50	121.25	122.25 120.25
Feb	119.75	120.25	120.75 119.50
Mar	116.00	118.50	119.50 116.00
Apr	115.75	116.50	117.50 113.50
May	110.00	115.00	113.75 108.00
Jun	113.75	100.00	112.00

Turnover 5107 (6932) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	107.85	107.50	108.00 107.80
Jan	111.65	111.45	111.70 107.95
Mar	114.70	114.50	114.70 114.45
May	117.75	117.55	117.80 117.45
Barley	**Close**	**Previous**	**High/Low**
Nov	104.45	104.10	104.50 104.25
Jan	108.05	108.00	108.05 108.00
Mar	110.80	110.85	110.80
May	112.70	112.80	112.70

Turnover: Wheat 130 (246) . Barley 80 (52) .
Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 11,400 tonne
Cash	2440-60	2470-80		2440-50		
3 months	2277-80	2317-8	2320/2275	2279-81	2285-90	18,040 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 5,550 tonne
Cash	1380-70	1395-400	1356	1356-8		
Dec. 21	1250-60	1280-90		1245-50		25,595 lots
Copper, Grade A (£ per tonne)						Ring turnover 35,925 tonne
Cash	1865-70	1840-1	1870/1860	1858-60		
3 months	1671-2	1642-3	1672/1651	1660-1	1661-2	64,172 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1800-20	1770-80		1790-815		
Jan. 4	1670-80	1635-45		1660-70		37 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	625-8	625-8		626-9		
3 months	638-41	638-41		639-42		427 lots
Lead (£ per tonne)						Ring turnover 6,475 tonne
Cash	385-7	385-6	387/386	386-7		
3 months	385-6	385.5-6.5	388/385	385-6	386-6	3,434 lots
Nickel ($ per tonne)						Ring turnover 1,428 tonne
Cash	13100-200	11850-950	12400/12250	12400-50		
3 months	11600-50	10850-900	11800/11100	11200-50	11750-800	5,786 lots
Zinc ($ per tonne)						Ring turnover 8,450 tonne
Cash	1555-8	1560-70		1563-6		
3 months	1467-70	1475-8	1493/1480	1464-6	1460-5	14,768 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	48.0	48.0	45.0 48.0
Feb	65.0	65.0	
Apr	94.0	96.1	95.5 93.8

Turnover 187 (66) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	165.00	162.50	165.00
Feb	172.50	170.00	171.00
Apr	172.00	169.50	171.00
Jun	162.80	161.00	162.00 161.00

Turnover 58 (63) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Oct	1368	1369	1370 1368
Nov	1453	1450	1455 1450
Jan	1487	1490	1490 1485
Apr	1524	1525	1531 1520
Jul	1319	1320	1319
BFI	1373	1371	

Turnover 220 (203)

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	411¼-411¾	232¼-232¾
Opening	412¼-412¾	232-232½
Morning fix	412.3	231.955
Afternoon fix	412.4	232.011
Day's high	413-413½	
Day's low	411¼-411¾	
Coins	**$ price**	**£ equivalent**
Mapleleaf	423½-428½	239-242
Britannia	423½-428½	239-242
US Eagle	423½-428½	239-242
Angel	423½-428½	239½-242½
Krugerrand	411-414	232-234
New Sov.	96¾-97¾	54½-55¼
Old Sov.	96¾-97¾	54½-55¼
Noble Plat	558.25-564.7	313.8-317.15
Silver fix	**p/fine oz**	**US cts equiv**
Spot	354.25	630.75
3 months	364.80	644.20
6 months	375.10	657.70
12 months	395.70	686.05

TEA

At this week's tea auction there were 21,059 packages on offer including 2,600 offshore, reports the Tea Brokers Association. Strong but selective demand. Assams again sold readily at firm rates except for the plainest sorts which attracted little interest. Bangladesh offerings lacked support and were 5p easier where sold. Brightest liquoring Africans met strong competition and sometimes showed appreciable advances. Mediums and plainer descriptions proved irregular but about steady. Ceylons came to a firm market. Offshore teas met fair competition although the best Kenyas realised lower levels. Quotations: quality 159p (162p), medium 105p (same), low medium 73p (same).

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
2300	136	143	1	138
2400	61	102	16	195
2500	9	70	74	282
Copper (Grade A)	**Calls**		**Puts**	
2900	385	256		168
3000	286	207		218
3200	102	131	15	339

US MARKETS

New York

GOLD 100 troy oz; $/troy oz.

	Close	Previous	High/Low	
Dec	414.8	414.9	415.6	413.1
Feb	419.8	419.8	420.5	418.2
Apr	424.2	425.1	425.7	423.3
Jun	430.3	430.3	431.5	429.0
Aug	435.4	436.0	436.5	434.0
Oct	440.2	441.1	439.0	439.0
Dec	446.2	446.5	447.5	446.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	551.0	543.8	553.8	541.0
Apr	555.5	543.8	552.0	542.0
Jul	550.0	547.8	555.0	547.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	632.0	628.9	632.0	632.0
Dec	635.0	631.5	637.0	633.0
Jan	641.0	638.5	641.0	641.0
Mar	650.0	648.0	651.5	647.5
May	660.0	657.2	661.0	656.0
Jul	670.5	667.7	671.0	669.0
Sep	680.0	677.5	680.0	680.0
Mar	712.0	708.7	712.0	710.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	147.75	144.45	148.40	147.75
Dec	141.00	139.70	143.80	140.10
Jan	135.90	133.80	136.95	135.50
Mar	118.90	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

[illegible]

HEATING OIL 42,000 US galls, cents/US galls

[illegible]

COCOA 10 tonnes;$/tonnes

[illegible]

COFFEE "C" 37,500lbs; cents/lbs

[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

[illegible]

COTTON 50,000; cents/lbs

[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

[illegible]

SOYABEAN MEAL 100 tons; $/ton

[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

[illegible]

LIVE HOGS 30,000 lb; cents/lbs

[illegible]

PORK BELLIES 38,000 lbs; cents/lb.

[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 28	Oct 27	mnth ago	yr ago
1894.0	1876.6	1844.1	1669.0

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	135.13	133.45	132.75	125.69
Futures	138.89	137.90	134.22	127.75

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices October 28

MONTREAL
Closing prices October 28

INDICES

NEW YORK DOW JONES

	Oct 28	Oct 27	Oct 26	Oct 25	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2149.89	2140.83	2165.18	2173.36	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.31	90.22	90.18	89.96	91.25 (3/3)	86.12 (4/1)	-	-
Transport	922.95	921.59	935.01	938.33	938.33 (25/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	186.05	185.87	186.88	186.05	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2166.43 (2165.54) Low 2135.67 (2120.91)

STANDARD AND POOR'S	Oct 28	Oct 27	Oct 26	Oct 25	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	278.53	277.28	281.38	282.38	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial (latest)	320.71	319.18	324.22	325.04	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	25.82	25.76	26.08	26.10	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	156.79	156.17	158.37	158.87	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	301.75	300.64	303.44	304.38	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	382.79	381.77	385.19	386.12	394.77 (18/7)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Oct 21	Oct 14	Oct 7	year ago (approx.)
Dow Industrial Div. Yield	3.54	3.63	3.60	3.54
	Oct 26	Oct 19	Oct 12	year ago (approx.)
S & P Industrial div. yield	3.07	3.12	3.15	3.31
S & P Indl. P/E ratio	13.65	13.42	13.15	16.34

TRADING ACTIVITY

† Volume Millions	Oct 28	Oct 27	Oct 26
New York	146.300	196.540	182.772
Amex	8.403	8.215	9.000
OTC	106.012	122.656	110.409

NEW YORK	Oct 28	Oct 27	Oct 26
Issues Traded	1,947	1,946	1,934
Rises	853	310	610
Falls	580	1,198	813
Unchanged	514	438	511
New Highs	24	27	47
New Lows	19	34	24

CANADA TORONTO	Oct 28	Oct 27	Oct 26	Oct 25	1988 High	1988 Low
Metals & Minerals	2930.2	2935.2	2946.9	2947.4	3226.5 (5/7)	2238.7 (8/2)
Composite	3405.5	3404.8	3430.1	3424.5	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1688.05	1692.08	1707.58	1706.96	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Rollin	5,015,500	10⅞	− 2⅝	Savin	1,899,400	⅝	+ ⅛
Nabisco RJR	4,756,800	85	+ 3	AT&T	1,722,400	28	+ ¼
Gen Motors	3,637,000	83⅞	+ 3⅛	Sears Roe	1,712,200	43⅝	+ ⅜
Kroger	2,442,800	10¼	+ 1⅛	Mer Lynch	1,661,200	27⅞	
Kraft Inc	2,362,500	96½	+ 2	Hosp Corp	1,498,300	46	+ ¼

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday 31 October 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	136.8m	850	+2	Nippon Oil	25.4m	1,380	+40
Kawasaki Steel	93.0m	1,050	+10	Ishikawajima Harima Ind	24.0m	1,130	+10
Mitsubishi Heavy	44.5m	1,020	-30	Sumitomo Metal	23.2m	730	-10
Japan Line	36.0m	442	+1	Hazama	22.1m	901	+11
NKK	29.2m	823	+3	Tokyo Gas	21.8m	1,430	uch

3pm prices October 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR	.44	1.8	18	233	25⅛	24½	24⅞	– ⅛
10⅛	9	ACM n				82	9⅛	9¼	9⅛	
12⅛	10¾	ACMIn 1.26a		11.		136	11⅜	11¼	11⅜	
10	10	ACM M n				342	10	10	10	
12⅛	10⅝	ACMSc n1.28		11.		563	11	10⅞	11	
10⅜	8⅞	ACMSp n1.01		11.		225	9¼	9¼	9¼	
9⅝	2⅝	AMCA				1	3⅛	3⅛	3⅛	
6⅛	3⅝	AM Intl				1124	5	4⅝	4⅞	– ⅛
23¼	18⅛	AM Int pf	2	9.5		118	21⅛	21	21	– ¼
51¼	26¾	AMR			8	732	48⅞	48½	48¾	+ ⅛
9½	5⅞	ARX			10	164	6⅝	6⅛	6⅛	– ½
58¾	35¼	ASA	3	7.9		308	38⅛	37¾	37⅞	
20¼	11	AVX	.12e	.7	12	186	18⅛	17¾	17¾	– ½
52⅞	42¼	AbtLab	1.20	2.5	15	1299	48¼	47⅛	47⅞	– ⅝
21⅞	15⅞	Abitibi g	1			33	16⅛	16⅞	16¾	
13⅞	8½	AcmeC	.40	4.6		30	8⅞	8⅝	8⅝	
6⅞	6½	AcmeE	.32b	4.7	48	15	6¾	6¾	6¾	+ ⅛
29½	12¾	Acuson			22	895	23⅞	22¾	23⅞	
17¾	14⅝	AdaEx 3.05e		18.		99	16⅞	16¼	16⅞	
16⅞	7½	AMD			17	4400	9⅛	8⅝	9	+ ⅞
43½	29¼	AMD pf	3	9.3		3	32⅞	32⅛	32½	+ ¼
8½	4⅝	Adobe				129	7⅜	7⅛	7¼	+ ⅛
18½	16¾	Adob pf 1.84		11.		4	17⅞	17⅛	17⅛	– ⅛
9¾	5⅞	Advest	.12	1.7	21	60	7	6⅞	6⅞	– ¼
53½	39½	AetnLf	2.76	5.5	8	1610	50¼	49⅝	50⅛	+ ⅛
34¼	20½	AflPb s	.20	.7		528	29½	28¾	29¼	+ ¾
18⅝	13	Ahmans	.88	5.2	10	2629	17⅛	16⅞	17	+ ⅛
4⅞	1⅞	Aileen				30	4⅛	3⅞	3⅞	– ¼
53⅞	30⅜	AirPrd	1.20	2.9	11	966	42⅛	41⅝	41⅝	+ ⅛
19⅝	11⅛	AirbFrt	.60	3.4	18	21	17⅞	17⅛	17⅞	
16¼	6¾	Airgas			17	2	15½	15½	15½	+ ⅛
20	14½	Airlease 2.40		13.	8	34	18⅞	18⅞	18⅞	+ ⅛
25⅝	22½	AlaP pf2.13e		9.0		108	23¾	23½	23¾	+ ⅛
9¾	8⅝	AlaP dpf.87		9.2		5	9½	9½	9½	
89½	80	AlaP pf 8.16		9.6		z600	84⅞	84⅞	84⅞	+ ⅛
22½	12⅞	AlskAir	.16	.7	11	129	21½	21⅛	21⅛	+ ⅛
19⅞	8¼	Albnyln	.25	1.6	11	473	17⅛	15⅝	15⅝	– 1½
38¼	18⅝	Alberto	.30	.8	18	x8	38⅝	36⅞	36⅞	+ ⅛
28¼	12⅝	AlbCulA	.30	1.1	14	x28	27	27	27	+ ⅛
38⅛	23½	Albtsn	.56	1.6	17	x668	36¼	35¾	36	– ⅛
33⅛	21⅞	Alcan s	1.20	3.9	6	2483	31¼	31	31	– 1⅛
27⅞	16⅝	AlcoStd	.68	2.7	11	244	25¼	25⅛	25¼	– ½
29⅛	15⅞	AlexAlx	1	4.0	19	61	25	24⅞	24⅞	– ⅛
77	35½	Alexdr				3	69⅞	69⅞	69⅞	– ⅛
78⅛	65	AllegCp			10	10	72	72	72	– ¼
6⅞	2⅛	vjAlgInt				204	2⅞	2⅝	2⅝	
10⅞	3	vjAlgI pr				10	3¼	3¼	3¼	
53½	11⅞	vjAlgI pfC				11	12	d11⅞	12	
33⅛	15½	AlgLud	.48	1.6	7	119	30⅜	30⅛	30⅛	– ¼
41½	35¾	AllgPw	3	7.8	10	370	38⅜	38⅛	38¼	– ⅛
14⅛	5½	AllenG				270	13½	13⅛	13½	+ ½
17½	9¼	Allen pf1.75		11.		50	15⅞	15	15⅞	+ ½
11⅞	9⅝	AlnCap n.25e		2.5		84	10⅛	10⅛	10⅛	
21	12⅛	AlldPd				14	15	14⅞	14⅞	– ⅛
36⅞	26	AldSgnl 1.80		5.3	12	1855	34	33⅝	34	– ⅛
1⅛	7-16	vjAllisC				37	½	½	½	
8½	2½	AllsC pf				10	2⅞	2⅞	2⅞	– ⅛
10⅛	8⅞	AlsMu	.78	7.6		232	10⅜	10¼	10¼	– ¼
10¼	9¼	AlsMII n.19e		1.9		120	9⅞	9¾	9¾	– ⅛
10¾	10	AlsMO n				155	10¼	10⅛	10¼	
36⅞	25⅛	ALLTEL 1.72		4.7	10	174	36⅝	36¼	36⅜	– ⅜
68½	55	ALLT pf2.06		2.8		2	u72½	72½	72½	+ 6
57⅞	38⅝	Alcoa	1.40	2.5	8	x1243	56¼	55⅝	55⅝	– ¼
19½	11¼	AmaxG	.08	.5	19	61	15½	15¼	15¼	– ⅜
24⅝	15¼	Amax	.40	1.8	11	2013	22⅛	22⅞	22⅞	
15¼	7½	AmesDT	.48	3.9	10	88	12½	12¼	12⅜	
33¼	21½	AmHes	.60	2.1		570	29	28½	28¾	– ⅛
24¾	13⅞	ABarck	.15e	.9		271	17⅛	17¼	17¼	– ⅛
60⅞	38½	AmBrnd 2.44		4.4	9	945	55¾	55	55½	– ⅞
30⅞	27⅛	ABrd pf2.75		9.9		6	27¾	27⅛	27⅛	+ ¼

Continued on Page 47

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued from previous Page

[illegible]

AMEX COMPOSITE PRICES

3pm prices October 31

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices October 31

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
		−X−Y−Z−				
XL Dta		16 127	26½	26	26½	− ⅛
XOMA		34	13⅛	13	13⅛	+ ⅛
X-Rite s		14 22	9½	9	9	− ¼
Xicor		12 231	7⅝	7½	7⅝	− ⅛
Xyvsn		110	5⅛	4⅞	5	+ ⅛
YelowF	.70	21 1260	33½	32⅞	33½	+ ½
ZionUt	1.44	2	25¼	25¼	25¼	

FINANCIAL TIMES Tuesday November 1 1988

AMERICA

Dow falters as traders favour cautious outlook

Wall Street

THE WEEK opened with modest falls in equities yesterday as most traders preferred to take a cautious stance given the meeting this week of the Federal Open Market Committee to review monetary policy, Friday's October unemployment report and next week's quarterly refunding and the US presidential election, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average stood 2.84 points lower at 2,147.05. Volume to midsession totalled about 84m shares representing fairly modest activity.

There were a number of other negative influences on the market yesterday. Probably most important is the persistent weakness in the dollar which fell below the key Y125 level and prompted intervention by the Bank of Japan and the US Federal Reserve.

Negative sentiment about the dollar is beginning to intensify. After three months of relative calm on the monetary policy front – since the increase in the US discount rate – a formidable policy dilemma appears to be developing. Last week's gross national product figures showed growth of only 2.2 per cent in the third quarter, apparently providing evidence of a sharp slow-down in economic growth and suggesting that the Fed may now need to start easing back monetary policy.

However, lowering interest rates is a difficult option when the dollar is looking so vulnerable. In the short-term the US authorities will want to keep the dollar well supported in order to attract demand to next week's quarterly refunding.

In the longer-term, the apparent slowing of progress in cutting the US trade deficit may persuade the authorities of the need for a slightly lower dollar but, at the same time, the Fed will want to prevent an overshoot on the downside.

All this is a background worry for equities and bonds and both markets will be watching carefully for any hints on policy thinking after this week's FOMC meeting. Of more immediate interest is continuing nervousness about the current spate of leveraged buy-outs which has prompted a backlash of criticism both in official circles and in the press.

Takeover issues were generally weak in spite of the news that Kraft had agreed to be acquired by Philip Morris for $106 a share or $13.1bn. The news pushed Kraft shares up $7 to $103⅛ by midsession and Philip Morris stock $1⅛ higher to $96. However, those price rises were not repeated elsewhere.

Among recent rumoured takeover candidates, Time dropped $1⅛ to $111⅛, Mead slipped $1⅜ to $44⅞ and McGraw-Hill eased $⅞ to $68.

RJR Nabisco edged $⅛ lower to $84⅞. Talks between the management group which has proposed a leveraged buy-out and their financial advisers at the weekend apparently failed to produce an offer to counter the $90 a share bid from Kohlberg Kravis Roberts.

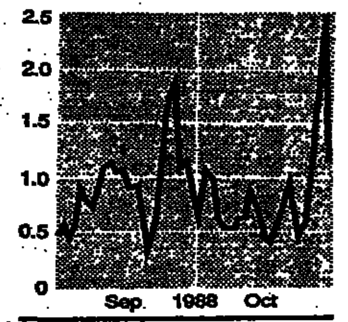
The other important piece of corporate news yesterday was the announcement of Sears, Roebuck's restructuring plan which seemed to disappoint analysts and sent the retailer's stock down $1⅞ to $41⅞. The company said it will buy back up to 40m of its common shares by the middle of next year, sell Sears Tower and divest its commercial real estate division. The bill will amount to $425m, charged against its fourth quarter results.

Whittaker, the metals and chemicals company, jumped $7 to $41⅞ after it received a $47.50 a share proposed takeover from Caiola Associates. Whittaker said the bid was unsolicited and highly conditional.

Dun & Bradstreet added $⅞ to $55⅞ after news that it had agreed to sell its Official Airline Guides subsidiary to Mr Robert Maxwell, the British publisher. It also gave Mr Maxwell the option to buy its Thomas Cook Travel USA subsidiary.

ASIA PACIFIC

Profit-taking reduces gains in active session



Tokyo

TURNOVER was fairly substantial in Tokyo yesterday, but share prices fluctuated throughout the session in a market that lacked direction, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average moved from a high of 28,045.78 to a low of 27,832.80 and then closed 21.53 higher at 27,982.54. Gains led losses by 506 to 372 while 132 issues were unchanged. Volume at 1.11bn was still encouragingly high, although much lower than Friday's 2.62bn.

The TOPIX index of all listed stocks rose 9.88 to 2,156.44, but in later trading in London the ISE/Nikkei index finished 0.17 easier at 1,759.69.

Yesterday saw interest in a number of sectors come and go, with those issues that had recently been popular losing on profit-taking. Among them were steels, which led the market in volume terms: Nippon Steel took first place with 136.8m shares traded. It closed only Y2 better at Y850 after rising Y13 during the day to an all-time high of Y861.

Kawasaki Steel, second most actively traded with 93m shares, likewise lost to profit-taking after advancing Y30 to a record high of Y1,070. It closed up Y10 at Y1,050. NKK made a modest gain of Y3 at Y823 while Sumitomo Metal lost Y10 to Y730.

Construction stocks oscillated. These companies attracted interest on the view that Japan will be expected to continue stimulating its domestic economy whatever the outcome of the US presidential election on November 8. Those companies involved in redevelopment projects along Tokyo's waterfront were particularly popular.

Hazama Gumi was heavily traded and rose to a high during the day of Y930, up Y50, easing to close Y11 better at Y901. Shimizu gained Y40 to Y1,340. Kajima climbed to Y1,770 during the session but ended down Y20 at Y1,770, while Ohbayashi also lost Y20 to Y1,160 after reaching Y1,170.

Weekend reports once again raised the possibility that the Emperor of Japan, who has been ill for some time, was taking a turn for the worse. When such reports have circulated in the past, paper and printing stocks have surged on expectations that the need to print new documents would boost their businesses.

These issues have been relatively quiet during the past few sessions, despite the firmer tone of the market, apparently because of pressure on investors from the Ministry of Finance to refrain from such speculative activity. However, the recent inactivity in these issues has now made it seem less disrespectful to be buying them, according to an analyst at Kleinwort Benson International. Yesterday Jujo Paper advanced Y40 to Y1,100 and Honshu rose Y80 to Y1,090, while Sanyo Kokusaku Pulp firmed Y60 to Y1,020 and Toyo Ink gained Y35 to Y893.

Pharmaceuticals were also firmer; many have hit a year's low recently and are thought to be oversold. Yamanouchi rose Y60 to Y3,750, Dainippon Pharmacy added Y80 to Y2,170 and Takeda Chemical put on Y30 to Y2,330. There were losers here as well, however, such as Sankyo, which fell Y80 to Y1,730, and Daiichi Seiyaku, which dropped Y40 to Y2,430.

Trading in Osaka was buoyant, with the OSE average adding 113.58 to 25,857.12. Volume was firm at 112m shares, though much less than the 256m traded on Friday. Paper and printing companies were featured in Osaka as well, where Jujo rose Y30 to Y1,080. Oji Paper also added Y50 to Y1,510.

Roundup

THERE were broad gains for Asia Pacific markets after last week's mixed performance, with takeover speculation aiding Australia and Hong Kong. Taiwan was closed for a holiday.

AUSTRALIA saw renewed demand after last week's worries over inflation and the BHP share sale. The All Ordinaries index added 5.4 to close at its high for the day of 1,586.9.

BHP was the most heavily dealt stock, trading ex-dividend, and fell 26 cents to A$7.64. Elders IXL, also ex-dividend, dropped 5 cents to A$2.98, while Bond Corp shed 2 cents to A$1.86, with 10.5m shares changing hands.

Edwards Dunlop slipped 10 cents to A$2.40 amid speculation of a takeover by Industrial Equity, up 3 cents at A$1.65.

Higher bullion prices did not stimulate overseas buying of gold stocks, with Metana falling 10 cents to A$5.80 and Poseidon off 2 cents at A$1.83.

HONG KONG continued to see speculative activity, with turnover rising to HK$920m from HK$752m on Friday. The Hang Seng index added 12.94 to 2,627.41.

Hysan Development was the most active stock with 143m shares worth HK$180m changing hands, fuelling rumours about a possible bid. It put on 9 cents to HK$1.29.

Hongkong and Shanghai hotels, facing a hostile bid from Cathay Pacific, was also actively traded, but ended unchanged at HK$5.55. Cathay Pacific climbed 10 cents to a record HK$9.05.

SINGAPORE had a mixed day with bargain-hunters and profit-takers both at play. The Straits Times industrial index edged up 4.26 to 1,039.27.

SIA foreign rose 70 cents to S$13.80 and SIA local gained 20 cents to S$12 after the company released record interim results on Saturday. Singapore Bus fell 16 cents to S$3.52 in spite of its higher interims.

SEOUL saw stocks fall sharply amid nervousness about possible student demonstrations across the country this week. Sentiment was further undermined by reports that more companies were to be investigated for possible wrongdoing after the arrest of six stock brokers and dealers for alleged insider trading. The composite index fell 11.81 to 729.79.

EUROPE

Frankfurt subdued by dollar and Dresdner cash call

TODAY'S All Saints Day holiday kept trading thin in most European bourses yesterday, *writes Our Markets Staff.*

FRANKFURT fell back as the weaker dollar and news of a rights issue from Dresdner Bank kept investors on the sidelines. Volume dropped to a very thin DM2.5bn and London analysts said that most of the trade appeared to be between professionals, with no serious selling seen.

Hoare Govett, the securities house, said the market looked technically set for another short-term rise of 5-10 per cent but added that "some areas are hotting up beyond reason", pointing to what it called over-optimistic 1989 earnings estimates for VW and BMW.

The FAZ index lost 1.92 to 538.76 and the DAX finished 14.19 down, just off the day's low at 1,300.79.

The planned one-for-nine rights issue by Dresdner set off rumours of possible capital-raising by Deutsche Bank and steel company Thyssen which weighed on the market. Dresdner fell DM6.50 to DM302, Deutsche was down DM3.50 at DM540.50, and Thyssen, which denied reports it faced losses from Iranian deals dating from the 1970s, fell DM4 to DM170.

The weakness of the dollar appeared to outweigh the attractions of gains from the strong D-Mark, with concern about the currency impact on earnings hitting car stocks in particular. Daimler, popular last week for its restructuring plans, fell DM9.50 to DM758.50. Its nine-month results, which came after Friday's close, got a mixed reception from analysts ranging from "not overly exciting" to "quite positive." VW lost DM7.60 to DM309 and BMW shed DM7.50 to DM546.50.

PARIS was closed. However, Société Générale, France's fourth biggest bank, rose in London trading from Friday's close of FFr509 to a high of FFr524. Dealers also reported good volume following the weekend go-ahead given to Marceau Investissements to raise its stake in the bank above 10 per cent.

AMSTERDAM had a fairly quiet day, dropping from new highs for the year to end slightly lower as Wall Street opened weakly. The CBS all-share index shed 0.1 to 101.8.

Unilever, which was driven up last week by speculation spinning off from the takeover activity in brand name foods on Wall Street, fell Fl 1.10 to Fl 120.10. Unilever announced it was buying Durkee Industrial Foods, a US company, from the Hanson conglomerate for $185m.

Akzo, whose third quarter results are due on Thursday, finished 50 cents lower at Fl 157.10 after reaching Fl 158.20. Philips continued to be buoyed by last week's 20 per cent rise in third quarter profits, adding 10 cents to Fl 32.

MADRID managed a good session, with utilities enjoying a spurt of demand. The general index added 1.38 to 290.31, with volume estimated to be similar to that on Friday, when about $100m worth of shares changed hands.

Among utilities, Hidrola added 1.3 percentage points to 93.7 per cent of nominal market value, Iberduero put on 1.7 to 125 and Endesa found 1.8 to 199. "To have such moves there would have to be good volume behind them," said an analyst.

In the speculative bank sector, Popular was less than popular, losing 54 points to 1,900. But Hidrola gained on continued rumours that it will merge with another operation, and ended the day 4 higher at 839.

MILAN pushed higher in trading subdued by today's market holiday. The Comit index rose 4.03 to 584.41.

Chemical Montedison was strong again, rising L50 to L2,085. Mediobanca lost L200 to L21,000 as uncertainty continued over the price of the latest share offering.

ZURICH had what one salesman called "a currency type day," with shares ending lower as the Swiss franc spent most of the session below SFr1.50 to the dollar. Turnover was low again and some profit-taking was seen. The Crédit Suisse index eased 2.1 to 495.2.

Employment services company Adia was a feature, holding up well in spite of going ex a SFr90 dividend. Its bearers finished just SFr15 lower at SFr9,500, having fallen at one stage to SFr9,475. The stock was well-supported after good sales figures from Adia Inc.

BRUSSELS was held back by today's holiday, with the cash index up 12.15 at 5,352.24. Foreign selling was largely absorbed by domestic buying, especially in retailer GB-Inno, which saw about 19,000 shares traded, twice that of recent sessions. It eased BFr22 to BFr1,266.

STOCKHOLM opened in hesitant mood but activity increased after noon and the Affärsvärlden general index moved up 5.3 to 951.8 in active trading of SKr355m. News of changes in tax regulations governing investment companies helped propel the index for the sector to a 1.86 per cent rise.

Demand for Skandia and Skandia International continued to be strong.

OSLO closed mostly higher, boosted by foreign interest in export-oriented companies which have reported strong figures recently. The all-share index climbed 2.28 points to 293.66.

HELSINKI had a relatively active day after insurance company Pohjola forecast sharply higher operating profits for this year. The Unitas all-share index added 6.2 to 723.4. Pohjola was the day's most active stock, with 200,000 shares traded. Its B free shares put on FM1 to FM87.

SOUTH AFRICA

BULLION managed to hold above $413 an ounce as share prices closed mixed amid worries over higher interest rates and the country's worsening economic situation.

An interest rates rise appears to be in the offing after the commercial rand sank to a record low against the pound – at R4.39 – and to its lowest level for months against the dollar – at R2.47.

Vaal Reefs lost 50 cents to R276.50. Diamond issue De Beers fell R5.10 to R41.25.

Media stocks steal the headlines

David Owen looks at the latest activity on Canada's equity markets

Communications and media stocks are suddenly the flavour of the month on Canadian equities markets, spurred by takeover activity and a favourable earnings outlook.

The Toronto Stock Exchange's communications sub-index last week hit a 52-week high of 7,867.13. On October 26, three of the index's largest component companies – Torstar, Southam and Maclean Hunter – reported nine months' earnings improvements ranging from 7 to 34 per cent.

In the vanguard of the upturn are Toronto-based Southam, a C$1.5bn (US$1.25bn) publishing company, and Selkirk Communications, a broadcasting and cable concern.

Southam's shares closed last week at C$28⅛, just below their high for the year, fuelled by speculation that the company – with titles including The Financial Times of Canada, *a tabloid, and the Ottawa* Citizen, the capital's main newspaper – might emerge as the target of a takeover bid.

Canada

SELLING in industrials offset rising golds and base metals to push share prices to a small loss in quiet midday trading on the Toronto Stock Exchange.

The composite index dropped 7.63 to 3,397.97 as declines outnumbered advances by 294 to 208 on light turnover of 8.8m shares.

Class A shares of CCL Industries, which said it will sell its plastics packaging division, were unchanged at C$10½. Imasco weakened C$⅛ to C$27⅛. Among golds, American Barrick firmed C$⅛ to C$21⅛.

Blue chips were mostly lower. Seagram lost C$½ to C$72⅞ and Canadian Pacific declined C$¼ to C$21⅛.

Last Thursday, the Ontario Supreme Court ruled that the proposed settlement of a law-suit which had arisen over Southam's 1985 share swap with Torstar Corporation, publishers of the Toronto Star, should be allowed to stand.

The settlement cancels the originally agreed obligation of Torstar, which received a 22.5 per cent voting interest in Southam under the terms of the deal, to vote its shares in concert with the Southam family group.

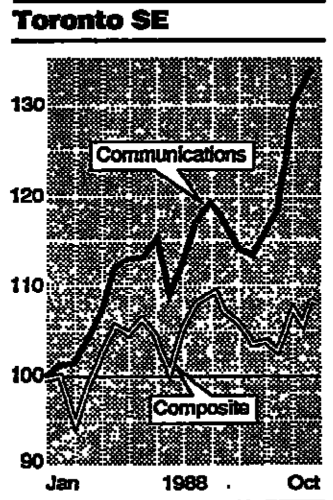
Since the family holds a further 22.5 per cent of Southam stock, this obligation would effectively have ruled out the prospect of an unfriendly takeover had it been allowed to stand.

The settlement also foreshortens a previously agreed standstill agreement precluding Torstar from increasing its stake in Southam except in the event of a takeover. This agreement will now expire in 1990.

A further factor behind the stock's sharp improvement is Maclean Hunter's C$540m offer for Selkirk Communications, in which Southam holds a 47 per cent stake.

Southam, which boasts a commanding 25 per cent share of the Canadian daily newspaper market, has agreed to tender its Selkirk shares to Maclean Hunter's C$45 per unit bid.

However, Selkirk stock briefly soared as high as C$45½ last week in active trading *before settling at C$45,* prompting speculation that a competitive bid could conceivably be in the offing.



FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 28 1988					THURSDAY OCTOBER 27 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	148.56	−0.3	124.54	120.10	4.17	148.95	124.69	120.32	152.31	91.16	93.49
Austria (17)	95.45	−0.3	80.02	88.31	2.43	95.73	80.14	88.20	98.18	83.72	94.39
Belgium (63)	129.81	−0.1	108.82	120.20	4.21	129.91	108.75	120.30	139.89	99.14	102.15
Canada (125)	124.59	+0.0	104.45	108.62	3.12	124.56	104.27	108.64	128.91	107.06	105.12
Denmark (39)	148.33	−0.4	124.35	138.04	2.19	148.99	124.73	138.05	148.99	111.42	107.12
Finland (26)	126.95	+0.4	106.43	112.25	1.48	126.43	105.84	111.62	139.53	106.78	–
France (130)	108.76	+0.7	91.17	103.47	3.14	107.98	90.39	102.47	108.76	72.77	86.67
West Germany (102)	87.27	−0.2	73.16	80.54	2.30	87.49	73.24	80.69	87.49	67.78	82.66
Hong Kong (46)	106.88	−0.1	89.60	107.17	4.71	107.01	89.59	107.29	111.86	84.90	85.53
Ireland (18)	140.39	−0.4	117.69	131.53	3.82	140.91	117.96	131.83	144.25	104.60	111.86
Italy (100)	83.35	−0.2	69.88	82.25	2.45	83.48	69.88	82.29	84.35	62.99	79.52
Japan (456)	171.65	−0.2	143.90	136.44	0.54	171.98	143.97	136.70	177.27	133.61	134.44
Malaysia (36)	140.05	−0.6	117.41	144.13	2.97	140.96	118.00	144.84	154.17	107.83	105.95
Mexico (13)	156.92	+0.0	131.55	392.37	1.39	156.88	131.33	392.27	180.07	90.07	231.55
Netherland (38)	111.00	+0.6	93.06	101.43	4.86	110.31	92.35	100.70	111.00	95.23	101.44
New Zealand (26)	74.01	−0.8	62.05	62.58	6.32	74.62	62.47	63.02	84.05	64.42	86.53
Norway (25)	119.12	+0.6	99.86	107.20	2.71	118.45	99.16	106.47	132.23	98.55	124.54
Singapore (26)	121.53	−0.9	101.88	112.04	2.42	122.67	102.69	112.97	135.89	97.99	95.71
South Africa (60)	111.31	+0.6	93.31	98.31	4.61	110.69	92.66	97.76	139.07	98.26	130.14
Spain (42)	150.44	+0.1	126.12	133.86	3.03	150.33	125.85	134.05	164.47	130.73	122.39
Sweden (35)	130.25	+0.1	109.20	119.07	2.40	130.19	108.99	119.15	130.25	96.92	105.67
Switzerland (56)	84.89	+0.2	71.17	78.84	2.14	84.68	70.89	78.41	86.75	74.13	85.31
United Kingdom (321)	137.59	+0.2	115.35	115.35	4.57	137.28	114.92	114.92	141.18	120.66	122.98
USA (579)	113.56	+0.4	95.20	113.56	3.53	113.09	94.67	113.09	115.55	99.19	102.99
Europe (1012)	114.42	+0.2	95.92	101.61	3.65	114.22	95.61	101.31	114.42	97.01	102.05
Pacific Basin (681)	168.10	−0.2	140.92	134.47	0.76	168.43	141.00	134.74	172.26	130.81	131.06
Euro-Pacific (1693)	146.65	−0.1	122.94	121.25	1.67	146.77	122.87	121.30	147.53	120.36	119.50
North America (704)	114.14	+0.4	95.69	113.28	3.51	113.69	95.18	112.84	116.07	99.78	103.10
Europe Ex. UK (691)	99.84	+0.1	83.70	93.25	2.92	99.71	83.47	93.03	99.84	80.27	89.07
Pacific Ex. Japan (225)	125.30	−0.3	105.05	109.83	4.32	125.69	105.22	110.09	128.27	87.51	90.19
World Ex. US (1891)	145.54	−0.1	122.01	120.72	1.74	145.65	121.93	120.76	146.49	120.26	119.18
World Ex. UK (2149)	132.76	+0.1	111.29	118.54	2.08	132.67	111.06	118.44	132.96	111.77	111.92
World Ex. So. Af. (2410)	133.30	+0.1	111.75	118.36	2.30	133.20	111.50	118.23	133.38	113.26	112.78
World Ex. Japan (2014)	114.73	+0.3	96.18	109.16	3.60	114.41	95.78	108.80	115.54	100.00	102.58
The World Index (2470)	133.17	+0.1	111.64	118.23	2.31	133.06	111.39	118.10	133.24	113.37	112.89

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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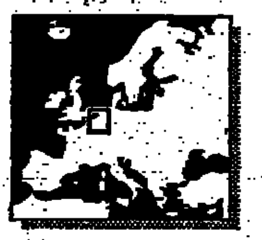
Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES SURVEY



As 1992 approaches the Netherlands must make changes. The country wants to retain its comprehensive welfare system, but needs to remain internationally competitive. Laura Raun, looks at how the country aims to resolve this conundrum

Ruud Lubbers: "Where power must be transferred to Brussels the bureaucracy must be as small as possible."

The Netherlands

Preparing to face the facts

AS THE issue of European unification in 1992 rushes up the Netherlands' political agenda, so a population nestled by one of the most comprehensive welfare states in the world appears to be heading for some rude awakenings.

"There is a growing awareness among the public that it must face the facts of 1992, that it can't have it both ways," observes Mr Onno Ruding, the country's Finance Minister: "You can't welcome 1992 on the one hand and get a free ride on the other."

Social and economic reforms are underway that will reshape the lavish welfare state along more sober lines while integrating the Netherlands into a genuine European Community.

The single market of 1992 is serving as a rallying call for legislative reform that otherwise might languish. Difficult decisions are being taken, not in hasty or revolutionary ways, but in measured steps that follow the required Dutch consensus.

"This year it has become clearer than ever before that the European Community is determined to abolish its internal borders within the foreseeable future," observed Queen Beatrix in her annual throne speech in September. "This will create fresh opportunities for our economy. A highly trained and motivated workforce and modern industrial equipment will be indispensable."

She, like Mr Jelle Zijlstra, a former Prime Minister and a Dutch negotiator during the founding of the EC, reflects a widespread but ill-defined feeling that the Netherlands is more prepared than most EC members for the barrier-free Europe.

Mr Ruud Lubbers, the Prime Minister and author of the queen's speech, is a key architect of the reforms aimed at getting the Netherlands in step with the rest of the community.

It is likely that he will also lead his country into the 1990s after having waged a series of battles with parliament that apparently have cleared the air.

The battles reflect an institutional struggle between parliament and cabinet rather than substantive differences and few politicians really want the Christian Democrat-Liberal coalition to fall. The major challenge facing the Netherlands is how to preserve its high standard of living while competing industrially in a keener environment.

In past decades, riches from natural gas fuelled growth. But those days are gone. Now the question is whether reform will move quickly enough to maintain a per capita gross national product that is currently the fourth highest in the EC.

Dutchmen are adamant that the welfare state be preserved while lagging EC countries catch up. No one intends to permit a decline in social welfare or workplace standards. "We can afford a higher degree of welfare state," insists Mr Onno Ruding: "But the differences can't be too big."

How big is too big remains the question. In an effort to steer the Netherlands closer to the European norm the centre-right government is seeking reform across a broad spectrum - taxes, health care and housing.

"There are some areas where we are substantially above the European average." Those include the public sector, government budget deficit, taxes and wages. The public sector, at 55.5 per cent of GNP, is relatively the biggest in the EC - comparing with 52 per cent in Belgium and 45 per cent in West Germany. It has shrunk only slightly since the Lubbers administration took office in 1982 - in spite of years of spending cuts.

The budget deficit also remains higher than the European average even though it has dropped to 6 per cent of GNP this year from a peak of 9.4 per cent in 1982.

State debt has soared to 80 per cent of GNP, up more than one-third since 1980, and is now fourth biggest in the EC. All current signals suggest that this proportion is destined to grow rather than decline over the nest decade.

Mr Eduard J. Bomhoff, professor of monetary economics at Erasmus University, recently wrote that Mr Ruding "has been forced to borrow more in nominal terms than all his predecessors since the Napoleonic days combined."

He reckons that each worker carries an interest burden of Fl 300 a month, or twice that of a West German colleague. The "collective burden," the combination of taxes and social security contributions, is the heaviest in the Organisation for Economic Co-operation and Development (OECD).

The top marginal rate is 72 per cent although it can surge to 100 per cent in exceptional cases. Wages are also among the highest in the EC even though workers take home some of the smallest amounts. Taxes and social security premiums siphon off the difference.

When the Lubbers administration launched its second term in office in 1986 it laid out three goals: to cut unemployment to 500,000 (from a peak of just under 1m in 1984; the state budget deficit to 4.6 per cent of GNP; and to prevent the collective burden from rising.

So far the record is patchy. Most success has been achieved in shrinking the budget deficit. The gap has been narrowed by 3-4 percentage points in spite of a plunge in state revenue from natural gas, which has dropped from Fl 23bn in 1985 to only Fl 7bn this year.

Even Mr Ruding, who used to be seen as the Cassandra of public finances, has softened his tone in light of "austerity fatigue". He now believes the Netherlands can "outgrow" its debt.

"After 1990 we see a fair to good possibility of a turning point in government debt as a percentage of national income," he calculates. He believes that with real growth of 2-3 per cent, state debt would fall as a percentage of national income. But real growth hasn't exceeded 1.5 per cent in 10 years.

Economic growth accelerated last year to 2 per cent and is supposed to reach 2.5 per cent this year. As always, much depends on world trade, which profoundly affects the Dutch economy with its heavy reliance on exports.

Unemployment is the weak point. It hasn't fallen below 500,000 since 1981 due to a mismatch of skills and jobs, a flood of job seekers, high wages and generous social benefits. The problem, as is true in most Western countries, centres on a hard core of long-term unemployed who often are ethnic minorities with low skills.

The government also plans to introduce a new set of 'clean' figures that will remove 245,000 jobless in one fell swoop by getting rid of those registering fraudulently.

Meanwhile, economic and social reforms continue. The deepest tax cuts ever are planned between now and 1990, providing more than Fl 8bn in relief to individuals and companies. Corporate taxes were pared last month and the VAT is to be trimmed next year.

In 1990 income taxes and welfare premiums will be combined and the top marginal rate lowered from 72 per cent to 60 per cent. In spite of the fact that tax-payers in the Netherlands carry one of the highest levels of taxation in the industrialised world, further cuts are likely to prompt controvery in the 1990s.

Health care also is being dramatically reorganised in a bid to rein in rampant spending, which now absorbs more than 10 per cent of national income.

Housing reforms are aimed at rolling back the government's pervasive presence in that market - the first shift in this direction since the second world war. While at present about 45 per cent of Dutch families own their own homes, this proportion is expected to rise as state subsidies are pruned.

With general elections looming ahead in 1990 fiscal austerity appears to be over. The administration is devoting fresh attention to popular issues requiring big investments - promising an extra Fl 200m on environmental protection and transport infrastructure in 1989.

"In modern life", explains Mr Lubbers, "there is a new, positive link between the quality of the welfare state and competition. High-technology industry is drawn to a high-quality society which is characterised by a clean environment, little poverty and tolerance."

He refutes the notion that the welfare state hinders industrial competitiveness and insists there must be "upward pressure on harmonisation" of social security in the EC.

"The theory that the level of welfare leads to stagnation - that it is only expensive and static - doesn't have to be true", he argues.

Mr Lubbers' vision of a single Europe falls between the right-of-centre model offered by Mrs Margaret Thatcher and the left-of-centre one offered by Mr Jacques Delors.

Mr Lubbers and several other Christian Democratic Prime Ministers recently sketched a centrist model. "We must decide sector by sector when it is sensible to decide things on a European level and when it is better to decide them on a national level", he explains. "Where power must be transferred to Brussels the bureaucracy must be as small as possible."

The Dutch Prime Minister shares Mrs Thatcher's views on national identity.

One fear voiced by a number of Dutch people is that the symbolism of 1992 eventually will backfire because people will be disappointed by the time 1992 rolls around.

Mr Zijlstra warns of the same 'euphoria' that gripped Europe in 1958. "A reaction will eventually come", he predicts.

A few worry that the Netherlands is moving too slowly. Mr Coenraad Oort, formerly an economics minister, believes his countrymen are too complacent.

"No I don't think there is a sense of urgency about preparing the Netherlands for 1992," he says. "We need political courage. The present government has gone some way but we really need a Margaret Thatcher who says 'I don't care whether an election comes up next year. I'm going to reshape society'".

CONTENTS

POLITICS

Critical role adopted

MR RUUD LUBBERS, the popular and successful Prime Minister of the Netherlands, does not like opposition.

But lately he has had a lot of it. In September he threatened to resign over the "Passport Affair," a tragicomic series of events in which the government was accused in parliament of bungling preparations for a new European Community passport. Two ministers had to resign before MPs were satisfied that things had been put right.

The "Passport Affair" followed other increasingly bitter rows – over health care, education, fishing and housing – which reflect a growing institutional struggle between the cabinet and parliament. The Christian Democrat-Liberal government has been in office for six years and after the consensus that marked the first Lubbers administration, parliament has now assumed a more independent and critical role.

It was Mr Joris Voorhoeve, parliamentary whip of the Liberal Party, who spearheaded the more sceptical attitude toward government policy. Sparring with Mr Lubbers in unprecedented language, he accused the Prime Minister of "chasing chimeras," while Mr Lubbers charged him with "political vandalism."

"It is a constructive tension," insists the adroit Mr Voorhoeve. "It shouldn't go too far because then the cabinet gets weaker. But the situation is in a good balance now."

Such squabbles would probably seem like the natural give-and-take of politics in many countries but in the Netherlands consensus is the rule of the game. Since no political party is big enough to govern alone, coalitions are always necessary and that demands compromise.

Mr Lubbers' uncharacteristic outbursts prompted speculation that he was simply tired of politics and of constantly leaping over hurdles thrown up by parliament. Mr Bert de Vries, parliamentary whip of the Christian Democrats, admits that the Prime Minister was frustrated but sees no great cause for concern.

"He was irritated by those incidents but everything is going well in terms of policy," argues Mr de Vries.

Given the relative harmony and lack of damaging opposition, the centre-right government looks set to continue in office until general elections in 1990. That is the expectation of both Mr de Vries, leader of the senior partners in the coalition, and Mr Voorhoeve, leader of the junior partners.

Both men expect the coalition partners to reach agreement on a series of divisive issues that will come up before the elections, which probably will be in March 1990. Among the most controversial are reforms in taxes, health care, housing, broadcasting and euthanasia.

"I don't think any of these will lead to a split," predicts Mr Voorhoeve. "They can be concluded with consensus."

Mr de Vries admits that cabinet members as well as MPs are on their best behaviour these days. "There is a sense that it would be wise to avoid unnecessary rows," he notes.

Public opinion polls show that the coalition would remain in power, though by a narrower margin, if elections were held now. The coalition would see its parliamentary tally dwindle to 77 seats, only one more than the necessary 76, from 81 now.

The Christian Democrats, always the swing party that participates in every coalition, would lose six seats while the right-of-centre Liberals would gain two.

Parliament has now assumed a more independent and critical role.

The Labour Party, largest of the opposition parties, would lose two seats. Even some of Labour's staunchest supporters concede that it has failed to offer a credible alternative to Mr Lubbers' no-nonsense policies.

After the recent parliamentary debate on the government's 1989 budget the Volkskrant, a left-of-centre quality daily, castigated the Labour Party's parliamentary whip, Mr Wim Kok.

"It has to do with his debate technique, his persona, his substantive contribution," the newspaper wrote. "Characteristic in all three is the observation that Kok has failed to emerge as a game winner as spokesman for the biggest opposition party."

The Socialists, like their counterparts in Britain, are struggling to find a new identity that preserves traditional values of solidarity and state interventionism while recognising trends toward individualism and retrenchment. But little progress has been achieved through a series of philosophical and introspective self-assessments that followed Labour's election disappointments of 1986.

With the second Lubbers administration more or less assured of staying in power until 1990, attention is now turning to a third term. Mr Lubbers, a Christian Democrat, has already made himself available to lead his centrist party into battle.

According to Mr de Vries, the Christian Democrats will probably avoid announcing their choice of a governing partner before the election, unlike in 1986 they took the unprecedented step of expressing a preference for the Liberals beforehand.

Of the three biggest parties, the Liberals seem most dynamic at the moment. Mr Voorhoeve, who is an economist and academician, is gently nudging his party toward the centre of the political spectrum while restoring harmony among the rank-and-file.

A sign of his deft hand was the recent appointment as Defence Minister of Mr Frits Bolkestein, a Liberal Party member and a pragmatic intellectual. Subtlety is Mr Voorhoeve's forte and nowhere is it more apparent than in his handling of coalition relations.

"It's clear that it is not a brand new car," he observes. "There are scratches on the hood but the engine is still running well."

What the Christian Democrats need are rallying calls to maintain political momentum in a third term. Such issues are likely to be ones that have been neglected during the first two due to economic austerity.

Unemployment, education, environment and public infrastructure will probably be high on the political agenda. But many fear that 1992 as a symbol could backfire because European integration already is being exploited to the fullest to justify reforms that would otherwise founder.

By the early 1990s people may revolt against European integration if it fails to produce tangible benefits. Mr Coenraad Oort, a former Economics Minister and treasurer-general of the Finance Ministry, sounds a warning:

"My real fear is that by 1990 or 1991 there will be big disillusionment. The border checks will still be there and the politicians can't continue using them as a scapegoat for internal purposes. Then we will need another symbol."

Laura Raun

ECONOMY

Speeding up the slow man of Europe

COMMON WISDOM has it that the Dutch economy is doing just fine, thank you very much.

Many politicians, economists and elder statesmen note that output is rising, investment is rising and inflation is low.

Indeed that is true but when compared to its neighbours the Netherlands remains the slow man of Europe. Growth in gross national product has lagged behind the European Community average for nearly a decade and is only barely beginning to catch up.

The improvement is so slow and fragile that it raises questions of whether the chronic problems of high unemployment and government debt will be solved soon.

Mr Ruud Lubbers, the Prime Minister and an economist, admits that the rosy picture in the government's 1989 budget was painted with an eye toward the 1990 General Election.

But the open borders of 1992 are only a few years away and it is imperative to put the economy on a healthier footing, otherwise the Netherlands' high standard of living and competitive position could be threatened.

The Christian Democrat-Liberal government is seeking reform across a broad economic front in an effort to unshackle market forces and speed up growth. Less government and more flexibility and efficiency are being sought in taxation, health care, housing and education.

It is imperative to put the economy on a healthier footing before 1992

Various kinds of tax cuts will provide more than Fl 8bn in relief between now and 1990 but even then Dutch taxes will still be among the highest in Europe.

For the immediate future, however, the big economic problems remain the gaping budget deficit and stubbornly high unemployment.

The semi-official Central Plan Bureau forecasts that GNP will expand at a rate of 2.5 per cent in 1989. That would surpass the EC average of 2 per cent, according to the bureau. But the European Commission predicts that the Netherlands will trail the EC average of 2.75 per cent by a half percentage point in 1989.

Business investment is expected to rise by 5 per cent next year, faster than the 3.5 per cent of this year.

Consumers are seen to be spending 2.5 per cent more in 1989 than this year when spending should be up by only 1.5 per cent but that could depend on whether cuts in the value-added tax cuts are passed along.

Exports are predicted to rise 4.75 per cent next year but that would be slower than the admittedly buoyant 6.5 per cent in 1988. Inflation should continue at a modest 1 per cent in 1989.

The Netherlands' budget deficit, in spite of years of fiscal austerity, has narrowed more slowly than several other countries with big gaps, such as Denmark and Sweden.

Government spending should fall to 55.5 per cent of GNP this year from a peak of 57 per cent in 1985 but that remains second only to Sweden in the Organisation for Economic Co-operation and Development.

The Dutch deficit is supposed to shrink to 5.4 per cent of GNP in 1989 from 6 per cent this year, still among the highest in the EC. Much of the fiscal gap is blamed on runaway spending in open-ended social programmes which provide benefits to anyone who qualifies, without limits.

The most urgent political problem, however, is unemployment. The jobless rate has not fallen below 14 per cent in five years. About 682,000 people are without jobs now and that number probably will drop only slightly to 670,000 in 1989.

Unemployment has been of massive proportions for so long that is no longer considered much of an economic problem. Often it is minimised by concentrating instead on employment. The Dutch collectively pat themselves on the back for creating more jobs than most countries in the EC in recent years.

About 1 per cent more jobs are supposed to be created in 1989 but that is no more than this year or last year. In any case the number of job seekers is almost keeping pace.

As in most Western European countries a hard core of long-term unemployed are at the root of the problem.

Skilled jobs offer too little salary premium to encourage workers to improve their education and experience while unskilled jobs offer too much compensation.

The high minimum wage is blamed by many for distorting the balance but the government's efforts to lower it have repeatedly gone down in political defeat. Current proposals to trim social security contributions instead leave open the question of who pays.

In spite of high gross wages, Dutch workers take home less pay than many of their European colleagues owing to heavy taxes and welfare premiums. Mr Eduard J Bomhoff, professor of monetary economics at Erasmus University, recently advisedthat "Dutch employers could compete more easily with foreign firms if gross wage costs did not have to include such a heavy tax bite."

But Mr Jan Stekelenburg, chairman of the FNV Dutch Labour Federation, the largest umbrella organisation for trade unions, brushes aside those worries. He argues that in the barrier-free Europe Dutch workers will be able to compete because their productivity justifies the wage.

"In productivity we compare extremely well," he insists. "We have had wage moderation for some years and we are not in a bad position."

The record is patchy: labour productivity growth is forecast to slow to 1.5 per cent in 1989 from 1.75 per cent this year, according to the Central Plan Bureau. It has hardly grown at all over the past two years.

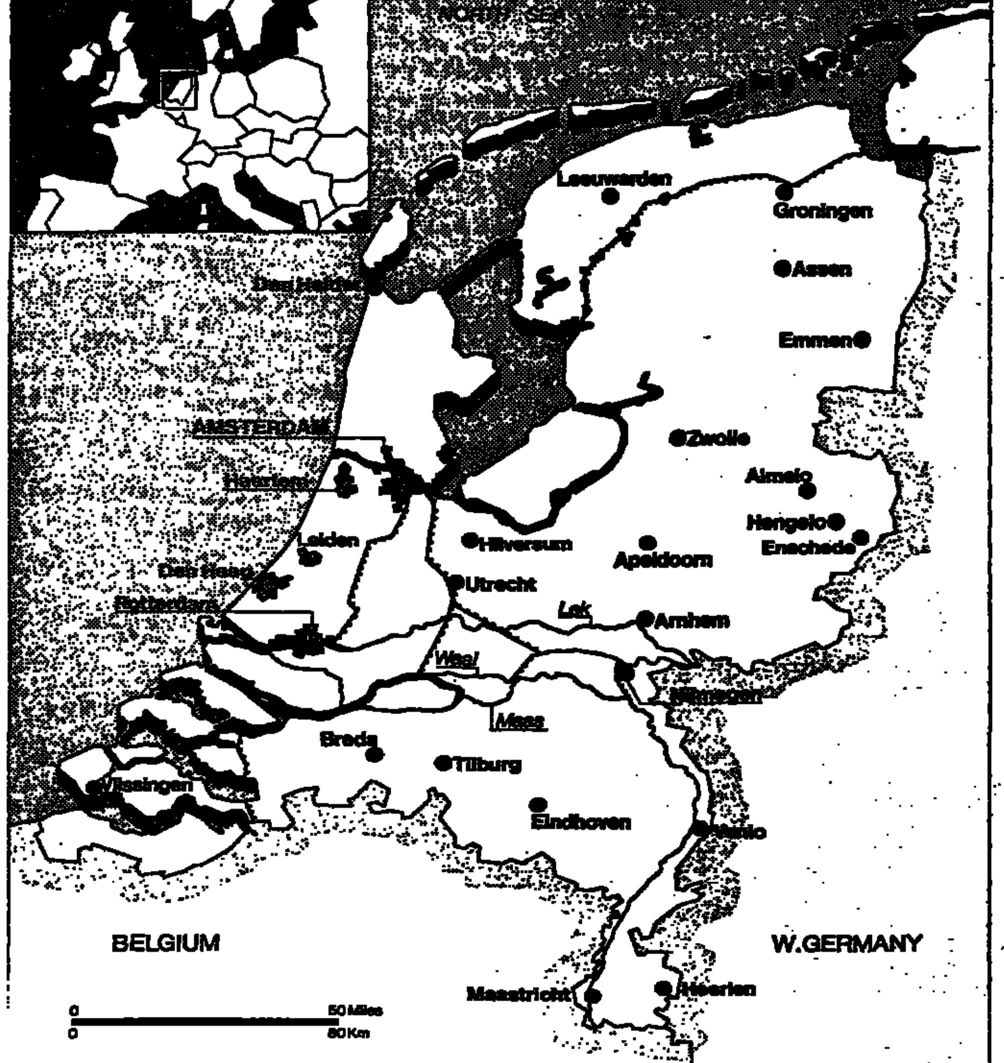
Most worrisome to many is the lack of labour skills and experience in various high-technology sectors which are supposed to fuel growth in the future. Labour apprenticeship programmes have simply lagged behind those of other countries with similarly high wages such as West Germany and Sweden.

Mr Jelle Zijlstra, Prime Minister during the mid 1960s, blames 'flower power' for weakening the work ethic and admits that natural gas riches allowed idleness.

"The gas was the curse in disguise, helping to build up the welfare state", he said.

The Christian Democrat-Liberal government has promised to spend an extra Fl 400m over the next two years to retrain the long-term unemployed and create public sector jobs. That is in line with Mr Zijlstra's advice for preparing for the single European market.

Laura Raun



THE NETHERLANDS: Key facts

Population 14.6m	Export volume growth 5.9%
Area 41.78 sq km	Import volume growth 7.08%
Currency 100 cents = 1 Guilder (Florin)	Natural gas as a % of merchandise exports 3%
Exchange rate £1 = Fl 3.58	Trade balance $5.2bn
$1 = Fl 2.02	Current account balance $3.4bn
GNP Fl 438bn	Unemployment rate 10%
GDP growth 2%	Industrial production growth 1.04%
Rate of inflation -0.5%	Central government total debt $123bn
Growth in money supply (m2) 3.9%	

INDUSTRY

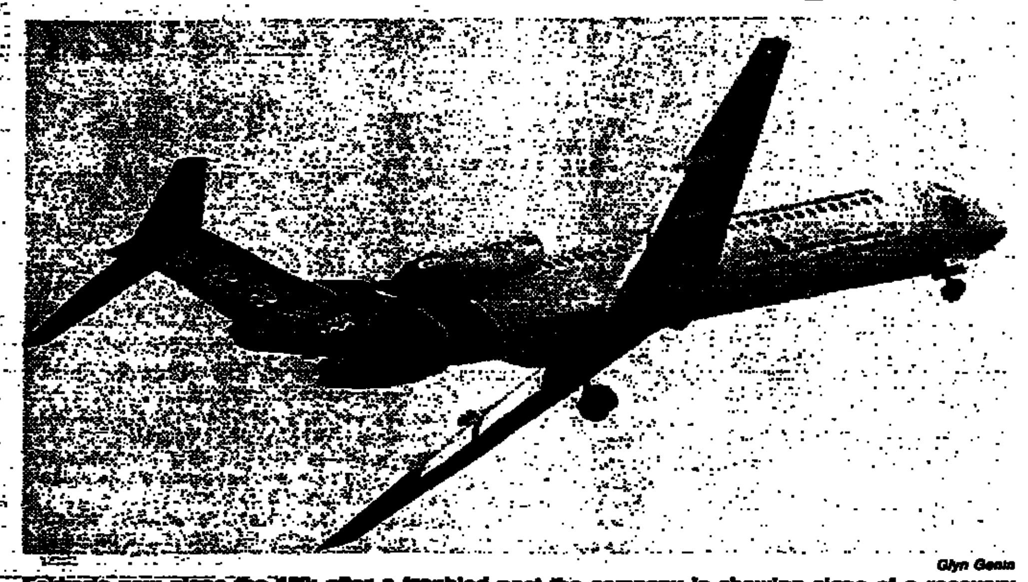
Little room for complacency

AFTER TURNING in a relatively lacklustre performance in 1987, Dutch manufacturing industry seems set to hold the line and possibly recover lost market share both this year and next. But there is little room for complacency.

Owing to a series of at least partly external factors, Dutch manufacturers' share of world markets dropped by an estimated 3 per cent last year, according to the Central Planning Bureau (CPB), a semi-governmental agency in charge of economic forecasting.

But this year, manufacturing exports are on the upswing, and may rise by about 6.6 per cent for all of 1988. Industrial production advanced by 4 per cent in the first half.

Investment could rise by 5 per cent next year, the CPB adds. Among the key elements behind this recovery have been the improvement in both the terms and climate of world trade, continued moderate wage settlements and increased production efficiency following a run of stronger-than-expected investment.



Fokker's new plane the 100: after a troubled past the company is showing signs of a recovery

Glyn Genin

Other factors which point to a further improvement are a cut in the corporate tax rate from 42 per cent to 35 per cent (which will partly compensate for the elimination of an investment subsidy scheme), and the reduction of the general VAT tariff (which could revitalise domestic demand and consumption).

But several key industries still face painful restructuring, and the danger of renewed wage inflation is looming on the horizon.

Holland's manufacturers are profoundly influenced by the trade climate; about half of GDP is generated by the export of manufactured goods and increases or decreases in trade activity are directly reflected in their performance.

Other factors such as exchange rate fluctuations are also often cited in analyses of recent results. Since the end of 1985, the guilder has appreciated against the US dollar by 27 per cent, according to ABN Bank, while the appreciation against the European Currency Unit was a smaller but still significant 5 per cent.

To keep pace with competitors, Dutch manufacturers have been forced into price concessions at the cost of profitability, according to the VNO industry federation. Although 1987 was not the disastrous year which had been predicted, average return on equity between 1986 and 1987 was virtually unchanged. Moreover, productivity improvements have been unexceptional in comparison with other European countries.

Dutch wage costs, on the other hand, have held stable. The growth rate of about 2.5 per cent a year is considered moderate.

But notwithstanding this much-touted restraint, Dutch wage costs still rank among the highest in the industrialised world, and the labour market remains among the most rigid and inflexible.

While several years of restraint have stimulated the creation of new jobs, a demographic increase in the size of the labour market has meant there is little change in the rate of unemployment which now stands at a high 9 per cent.

The result is an increasingly restive labour climate. Some economists believe wage costs per employee may rise by twice the CPB forecast of 1.75 per cent next year.

Another hidden danger, detailed in a recent report commissioned by the EVD foreign trade agency, is the dependence of Dutch exporters on the low-growth Belgian and West German markets and their weak position in the higher-growth areas like Spain, Italy and Greece.

Mr Cor van der Klugt, president of Philips, recently warned that European companies were largely unprepared to meet their US and Asian rivals on the post-1992 European scene. He added that free trade with the EC should be granted only on the basis of what he called "real reciprocity."

Certainly, the past 12 months have not been brilliant for Philips, the country's premier industrial group which is also one of Europe's biggest producers of consumer electronics with a 1987 turnover of Fl 52.7bn and a workforce of 335,000.

While complaining about adverse exchange rate developments in 1987 when earnings dropped 19 per cent to Fl 818m, Philips was this year forced to concede an underlying problem of poor productivity and weak competitiveness *vis-a-vis* Asian rivals despite its own build-up of manufacturing facilities in the region.

In the first half, earnings tumbled a further 20 per cent (to Fl 338m), with an even more alarming quarter-on-quarter decline. The response has been a combination of restructuring and thinly-veiled protectionism. Executives concede the coming years hold a dramatic reshape of its operations and corporate attitudes, not least in the consumer electronics sector.

By disposing of large "non-strategic" subsidiaries – including the Fl 1bn sale of the majority in its white goods division to Whirlpool of the US – the Eindhoven-based giant hopes to maintain 1988 earnings at last year's level.

In the meantime, the group has been able to drive through a 30 per cent European Commission levy on South Korean and Japanese video recorders (VCRs). The EC also recently initiated an anti-dumping investigation against Asian small-tv manufacturers, and a complaint on compact disc imports is still pending.

Happily, Philips' problems are not representative of Dutch manufacturing as a whole. The important chemicals industry, which generates nearly a quarter of all manufacturing value-added, is benefiting from vigorous demand.

Akzo leads the sector in Holland with 1987 sales of Fl 15.5bn. While it is medium-sized in relation to European rivals such as Bayer, Hoechst and BASF of Germany and ICI of the UK, it has engineered a successful programme of restructuring and acquisitions to expand the speciality chemicals and fibres interests and broaden its geographical spread outside Europe.

It is now poised to reap the benefits of lower raw materials costs and stronger prices, and expects a "significant" improvement in its 1988 earnings over the Fl 669m achieved last year (excluding an Fl 273m extraordinary gain which pushed the total net figure to Fl 942m).

DSM, the state-owned chemicals group with annual sales of Fl 9bn, has also emerged from a broad restructuring with stronger profitability, and is slated for a partial privatisation next month under which 30 per cent of its shares will be floated on the Amsterdam Bourse.

Ironically, the government's gradual privatisation policy has not prevented it from announcing plans to boost its stake in Fokker, the aerospace concern. Fokker will increase its capital base from Fl 300m to Fl 620m through a rights issue. By exercising its option – agreed under last year's Fl 212m financial rescue package – the government will increase its own stake to between 30-40 per cent at a time when the long-troubled aircraft manufacturer is enjoying the first glimmerings of recovery.

David Brown

DEFENCE

Taking a more European outlook

THE RESIGNATION of Mr Wim van Eekelen, the Defence Minister, in September, preceded by the near-collapse of the Christian Democrat-Liberal coalition, had curiously little to do with defence: it was triggered by the bungled development of a new type of Dutch passport during his earlier *stint as Foreign Affairs* Secretary.

His departure, though, has two important implications. Firstly, it safeguarded the position of Mr Hans van den Broek, the foreign minister whose job had also been threatened and secondly, it is likely to pave the way for a smoother policy-making process within the Defence Ministry at a critical time. It should confirm Holland's momentum towards a more pro-European defence posture within Nato.

Mr Frits Bolkenstein, 55, the new Defence Minister, is also a member of the right-of-centre Liberal Party. He is expected to cultivate a smoother working relationship with his Christian Democrat deputy, Mr J van Houwelingen, himself a staunch advocate of pan-European defence production and procurement.

Mr. Bolkenstein was Trade Secretary at the Economics Ministry for four years until 1986, and developed a reputation for managerial competence. This skill was perhaps honed during his 16 years as an executive with Royal Dutch/Shell.

His main task will be to steer through Holland's new defence white paper which covers the 10-year period to 1998.

The paper's key points conform with a broader policy in The Hague favouring the development of a military line to European economic integration. It supports an open market in defence equipment, and the harmonisation of standards and production.

The Hague has also watched with interest and support the slow steps towards an expansion of France's role in assuring allied security in both the conventional and, (eventually, it is assumed) nuclear spheres.

It was during Holland's chairmanship of the Western European Union (WEU), the seven-nation defence group which includes France, that a decision was reached to send a Dutch-Belgian minesweeping force to the Gulf, operating under British protection.

Among the specific co-operative projects being discussed are a joint European espionage satellite to succeed the Franco-Spanish-Italian Helios, which is to be launched in 1992.

But by far the most significant choice facing The Hague involves a two-stage Fl 2.5bn procurement plan for 50 new Nato anti-tank helicopters.

Holland is expected shortly to decide on the first 20 of these, and thus commit itself by implication to a derivative for the 1990s and beyond. The present options include the American Apache AH-64, a Franco-German solution involving the Bölkow or Gazelle, and the Italian A-129.

Proponents of a European option argue this will insulate the country against the sharp currency and cost fluctuations associated with dollar-related contracts.

There is also a strong political incentive developing in this direction - Fokker and Daf stand to gain orders and jobs - in spite of some questions about the financial and technological wisdom of such a choice.

Mr van Houwelingen, who is in charge of procurement policy, says a final decision must focus on life-cycle cost (which he believes favours the Europeans), and on the desirability of maintaining a domestic high-technology base.

He says: "When one big brother dominates defence sales, this is not true co-operation."

The helicopter choice is being decided against the background of a stronger domestic political consensus on defence issues, which has developed since the end of a divisive debate surrounding Nato's 1979 twin-track decision on intermediate-range nuclear force (INF) missiles.

There is little expectation in The Hague that the recent INF treaty will speed the progress of talks on conventional force reductions: hence, the stronger emphasis put on ground forces in the latest defence white paper.

Regarding the debate between the US and the allies over 'burden sharing', Mr van Houwelingen warns that "alliance cohesion could be at stake".

Elsewhere on the foreign policy front, Holland is engaged in a series of tussles with its European partners on environmental issues. Last month, The Hague defied the European Commission in its decision to press ahead with a tax credit for small, environmentally 'cleaner' cars. Such cars are produced by the 70 per cent state-owned Volvo Nederland.

David Brown

TAXATION

Punishing burden seen as drag on growth

THE DUTCH pay taxes more happily than most people. For each extra Fl 100 earned, the average worker has to pay Fl 73.50 in taxes and social security contributions and takes home only a paltry Fl 26.50.

A West German would pocket Fl 43 and an American Fl 57.40.

For the first time since the creation of the welfare state in the 1950s, however, a consensus is growing that the "collective burden" of taxes and social security premiums must be cut. Redistribution of income has finally gone too far. The punishing burden - the heaviest in the industrialised world - is increasingly seen as a drag on economic growth and a threat to industrial competitiveness.

"It appears probable that the height of direct taxes on income, profits and assets plays an important role in the choice of location for companies or a place to live for natural persons," the government observes in its 1989 budget. "In the context of increasing international competition and European integration, it is of importance to bring the collective burden more in line with that abroad."

The Christian Democrat-Liberal government promised to keep taxes stable or lower them when it launched its second term in 1986 but has yet to make good on that pledge. The collective burden is forecast to rise to 55 per cent of national income this year from 53 per cent in 1986.

Value-added tax and other taxes are so high that Dutch policemen cross the border into West Germany to buy petrol. Some economists believe consumer spending is structurally low because of burdensome taxes and premiums.

Mr Eduard Bomhoff, professor of monetary economics at Erasmus University, has written that "Dutch workers can consume less than their counterparts in most neighbouring countries, because they are taxed more heavily."

Two moves have been taken recently. Corporate income tax was lowered to 35 per cent last month from 42 per cent, providing Fl 1.2bn in relief to industry.

The value-added tax will also be trimmed by a modest 1.5 percentage point to 18.5 per cent, as of January 1, 1989, leaving taxpayers with an extra Fl 2.5bn in their pockets.

But the biggest cut is still to come and is intended to allow the Lubbers administration to meet pledge on taxes.

Income taxes and welfare premiums will be combined and reduced under a sweeping reform package planned for 1990.

The package is supposed to provide more than Fl 4bn in relief by merging taxes and premiums into one "income levy" and lowering its top marginal rate to 60 per cent from the present 72 per cent.

The other eight present marginal rates would be collapsed into two - 35 per cent for income up to Fl 41,500 and 50 per cent for the next Fl 41,500, above Fl 83,000 the 60 per cent rate would kick in.

It is the most drastic tax reform in post-war history and is based on proposals made by a commission under the chairmanship of Mr Cornelis Oort, a board member of Algemene Bank Nederland. The "Oort Commission" was asked to simplify the mind-bogglingly complex tax system and afterward tax cuts were added by the centre-right government.

Mr Oort, a former economics minister as well as general treasurer of the Finance Ministry, is convinced that high taxes and premiums drag down economic growth but it is unclear by how much. It is equally uncertain how much boost would come from lowering them.

Yet another vague area is in what way high taxes inflate production costs. Mr Oort, who also previously served as president of the EC Monetary Committee, expects Dutch industry to be able to compete with its tax rates after 1990 even though that nearly contradicts his argument for lower taxes. But taxes are just one factor among many considered by industry and foreign investors, he contends.

Others worry that steep marginal taxes erode high salaries in precisely those skilled sectors that are considered the motors of modern growth, such as integrated circuits and telecommunications. Fears are that the Netherlands will have difficulty in attracting high-technology companies and workers, which already is happening.

Exactly how heavy taxes slow growth may be unclear but what is irrefutable is that economic growth in the Netherlands has been more sluggish than the European average since at least 1980. Perhaps the most stifling effect is quashing incentives to increase income.

Top marginal tax rates can exceed 100 per cent in extreme and exceptional cases - actually shrinking take-home pay when salaries rise. Even at lower rates, take-home pay can fall because government subsidies disappear when income increases.

"Due to the high, steep marginal rates people get caught in the 'poverty trap'," complains Mr Oort, a professor of finance and banking at the University of Limburg. "It's too damn static. You have to give people an incentive."

But he fears that the economy will remain too rigid even after various reforms are implemented in taxes, housing, health care and education. The only solution is to cut state subsidies and that is politically "awfully difficult."

Lower taxes also are supposed to help combat the huge black market. One out of every three Dutch is believed to be involved in the black market, which is concentrated in the services sector.

The Central Plan Bureau, the semi-governmental forecasting agency, reckons that 7,000 jobs might be created by the VAT cut alone.

Estimates have yet to be made of what effects the income-tax cuts will have but hopes are that they, too, will prompt people to return to the legal circuit.

Even after all the tax reforms Dutch levies will still remain among the highest in the organisation for economic co-operation and development. Mr Onno Ruding, the Dutch Finance Minister, believes VAT still needs to come down to fit into the proposed 13-16 per cent band under discussion in Brussels, though he also argues that other countries' rates should rise.

Corporate taxes, however, will stay where they are, he states in no uncertain terms.

Mr Ruding also believes the income levy must be trimmed further, perhaps to 50 per cent. But everyone agrees that more reductions are impossible unless the whole welfare state is pared.

After the new rates are implemented the welfare system will eat up most of the income levy. Of the 35 per cent levy welfare premiums will comprise 28 percentage points and income taxes only 7 percentage points.

"If we don't bring down spending we can't bring down taxes," Mr Ruding concludes. "But that won't happen immediately in 1991."

Laura Raun

SOCIAL SECURITY

Caretaker state is creaking

THE DUTCH welfare state, long envied for its generosity, increasingly looks like an old-fashioned system that drains valuable resources while creating a permanent under class.

Cradle-to-grave social security benefits absorb nearly 25 per cent of national income.

One out of every four Dutchmen receives welfare benefits and one-third of the working population has no job owing to unemployment or disability. Each working person must support someone else idled by joblessness, injury or retirement.

It is true that poverty has been virtually eradicated. Only by choice do people live in the streets or go hungry.

But there are growing signs of a polarised society in which a minority of people are caught in a so-called "poverty trap" and a majority continue to advance through widening opportunities.

A stifling combination of progressive taxes, social security contributions and welfare subsidies, mean that recipients often take home less money if their income rises.

"It's static as hell," complains Mr Coenraad Oort, chairman of a prestigious commission which proposed a major overhaul of the tax system. "My own view is that you have to cut back subsidies." Not surprisingly the "Dutch disease" is alive and well. Dutch workers are sick twice as much as other Europeans.

Unemployment stands at 670,000 and hasn't fallen below 14 per cent of the working population in five years.

Disability is even more pervasive. Nearly 800,000 people claim to be disabled and the ranks are swelling most rapidly among the young.

Hardly anyone denies that fraud riddles the disability scheme. Criteria are too lax - injury can be quite modest and occur anywhere - and benefits are disproportionately high and permanent.

Spending on social security amounts to just less than 25 per cent of national income, significantly more than the average in the European Community. Most politicians and economists agree that the welfare state must be trimmed but few curbs, if any, will be imposed between now and the general election in 1990.

Mr Ruud Lubbers, the Christian Democratic Prime Minister, agrees with Mr Jacques Delors, President of the European Commission, that the EC must have a "social face."

Mr Lubbers told parliament recently: "We must strive not only for economic traffic of capital, goods and people but also for social and cultural aspirations."

In the past Mr Lubbers has tried to paint the vision of a "caring society" that will supersede the caretaker state.

In the futuristic caring society, the family and neighbourhood would resume their traditional roles in providing help and support to those in need.

A growing chorus of voices argues that the whole system must be completely overhauled to preserve it at all. Sluggish economic growth and a rapidly ageing population threaten its survival, they warn.

Dr JG Rieken, a social scientist and author of a recent book on the welfare state, believes that capital should be taxed more heavily to finance the system. Labour has been the primary source of funding since the creation of the modern welfare state in the 1950s but is diminishing in the production process due to high costs and new technology.

While the domestic dimensions are daunting enough the international aspects are equally worrisome. Fears are growing of "social dumping" in which companies move production to the southern European sunbelt where health and safety standards tend to be lower and demands for labour co-determination fewer.

Mr Jan Stekelenburg, president of the FNV the Netherlands Labour Federation, insists that high Dutch standards must be maintained. Like their West German counterparts, Dutch workers have fought for and won rights of participation in management and are not keen to give them up.

But others worry that the Netherlands could become the "social paradise" of Europe. Not long ago the Christian Employers Association warned that the Netherlands could suck in the less fortunate from abroad when citizens are able to move completely freely across borders.

Rarely are such fears expressed publicly and calmer voices dominate. They argue that Dutch welfare benefits are only open to those who qualify.

"The free movement of persons doesn't mean the unemployed or disabled although they can settle here," contends Mr Joris Voorhoeve, parliamentary whip of the governing Liberal Party. "But to be eligible to receive - admittedly high benefits - you have to have been employed.

That is not entirely true.

People who have never had a job also can receive basic welfare, disability and a number of subsidies. In theory only immigrants who can financially support themselves or are supported by others are admitted to the Netherlands. But in practice it is relatively easy to prove "financial support." A major review is underway in the social affairs ministry to see how the Dutch system fits into the European grid.

The general feeling is that the Netherlands should do its best to preserve its welfare system while waiting for others to catch up.

Laura Raun

SOCIAL SECURITY RECIPIENTS (in 000s)

	1975	1980	1985	1987	1988	1989	1990	1993
Old age pension	1,321	1,448	1,952	2,024	2,061	2,096	2,132	2,244
Medical insurance	280	306	257	281	286	286	282	288
Disability insurance	312	605	685	721	729	724	699	685
Unemployment insurance	197	235	650	616	614	633	641	629
Basic welfare	229	162	206	212	214	216	231	250
Total	2,339	2,756	3,750	3,854	3,906	3,955	3,985	4,096

Coenraad Oort: Dutch disease is alive and well

AGRICULTURE

Intensity increases

HORTICULTURE PRODUCTION (Fl m)

	1960	1970	1986
Flowers/plants	132	550	4,050
Bulbs	186	284	820
Woody nursery stock	41	110	540

IN AGRICULTURE the Dutch Government is an avid supporter of the European Community; Dutch farmers and horticulture growers are *among the most efficient in the* EC.

Their 'boss' is Mr Gerrit Braks, 56, the Agriculture Minister, a farmers' son and very much "a European mind".

Agriculture has not been a solely domestic affair for many years – agriculture means Europe and in Mr Braks' green-painted study he conducts European agricultural policy.

For Dutch farmers it is more important to know what has been decided in the back rooms *of the European Commission* than in The Hague.

In fact, Dutch agriculture is characterised by intensity. More production is taking place on an ever-shrinking surface area by fewer people.

A large proportion of the Dutch agricultural product *goes abroad and the sector has* a positive trade balance of more than Fl 17bn.

The location of the Netherlands, is vital to its flourishing exports, for more than 75 per cent of all agricultural products and foods from the country are sold within Europe.

There are, of course, serious problems, like elsewhere in Europe. There is a 'lake' of milk (which is, however, disappearing) and there is a 'mountain' of manure (much harder to clear).

*Mechanisation, quality-di*rected breeding and careful rationing have been responsible for a spectacular improvement in productivity.

Much of the veal and pork produced is intended for *export. Poultry is kept even in* multi-tier houses, but the intensive livestock sector is the main cause for the considerable manure surplus. This is leading to serious environmental problems, especially in low-lying areas, where ground water can be poisoned by high *nitrate concentrations and* even the quality of drinking-water is being questioned.

A system of forcing farmers to conduct a complicated "bookkeeping" operation in an effort to control the manure surplus has led to farmers' protests and demonstrations.

Mr Braks (who also carries fisheries in his portfolio) often *faces similar problems with* Dutch fishermen, who have *been angered by decreasing* quotas demanded by Brussels.

To cope with these protests, Mr Braks explains to his farmers the rules from EC bureaucrats in Brussels.

He says: "I am a farmer's son and so I speak their language. They know I understand their problems."

However, with stubborn, and very angry, Dutch fishermen it is another story.

Mr Braks says: "Negotiations to settle the fishery problems took more than 10 years which was far too long and as a result the Dutch fishermen ignored the realities of measures from Brussels.

"In those years the Dutch fishery industry continued to invest substantially in their trawler fleets."

The anger of the Dutch fishermen has given Mr Braks a hard time.

Double-booking practices by Dutch fishermen at the fishery *auctions* were revealed *and* only two weeks ago Dutch detectives discovered Dutch trawlers with hidden compartments for containers with loads of sole, cod and herring. An investigation found that *Dutch fishermen brought* these loads ashore far from the official fish markets and sometimes even in Belgium and Denmark from where they were transported by truck to be sold on the Dutch black market.

Official estimates said that 50 *per cent of the Dutch fish*-consumption came from the black market.

The agriculture sector Mr Braks mentions with pride is horticulture. This has seen a vigorous expansion in glass-*house* production. Traditionally, this sector concentrated on "big" vegetable products such as lettuce, cucumbers and tomatoes.

But their importance has been increasingly surpassed by the products of so-called ornamental horticulture, in particular cut flowers and pot plants. The Netherlands is now the top flower supplier of Western Europe.

Frieso Endt

Nuclear plans may be scrapped

Energy needs are being reassessed

EARLY NEXT year the Netherlands is to take the critical decision on whether to commit itself fully to the development of nuclear power.

That, at least is the fiction still being maintained by the government in The Hague, albeit with decreasing conviction of late. Most seasoned players on the energy scene will privately concede after some throat clearing that it will never happen.

In April 1986, after an intense debate, the Dutch Parliament approved plans to build two nuclear reactors with a combined capacity of up to 4,000 Mw. The plants were to help fill a 6,000 Mw electrical generating capacity shortfall expected to develop in the period through to the year 2000.

Within hours of that decision, political fall-out from the reactor accident at Chernobyl changed the scene completely and forced the reassessment and postponement of a final decision until early 1989.

Today against a background of low world energy prices, and with the country edging closer *to an election year*, there seems little incentive for politicians to take the sensitive decision favouring further development of nuclear energy.

Moreover, decisions have already been taken to build a series of gas and coal-fired plants - and even more may be agreed in the near future - which together with imported (and largely nuclear generated) energy from West Germany and Belgium can he relied upon to make up the shortfall.

The Netherlands remains *dependent on oil and gas for 86* per cent of its total primary energy requirement. This is likely to remain the case "for many years to come", concedes Mr Constant W.M. Dessens, Director-General for Energy at *the Netherlands Economic* Affairs Ministry.

This view is, by implication, shared in the boardrooms of the country's gas operators, who rank among the top international oil groups.

Mr *J.S.Jennings*, Royal Dutch/Shell's director for *exploration and production*, speaking in June, at an offshore industry conference in Stavanger, Norway predicted that oil prices will "remain in the $10 to $20 a barrel range - in the money of the day - until well into the 1990s."

He continued: "Moreover these *prices* will *only* materialise if Opec keeps its act together."

This forecast, should it prove correct, has two implications for the Netherlands. First although North Sea exploration and development programmes have thus far been largely unaffected by low *prices, due to a sharp indus*try-wide cut in operating costs, it is thought that a sustained price weakness could lead to retrenchment.

Nederlandse Adolie Maatschappij (NAM), the joint venture between Shell and Exxon which produces 80 per cent of the Netherlands gas, has already cut expenses by half over the past three years. Shell more than many of the oil majors is well enough diversi*fied so that a weakness in the* upstream business can be partly compensated on the higher-margin on the down stream side.

Earnings at some of the smaller Dutch companies in *the offshore sector* were badly dented as a result of the oil crash in 1986. But industry analysts say groups like Smit International, in the supply market, and Nedlloyd, in leasing, have witnessed a slight recovery in demand and that this year at least these *operations could return to* profit.

A second implication is that the country's heavy dependence on oil and gas is likely to be perpetuated since there is little incentive for the development of a more diverse energy mix and greater conservation. A large expansion of coal-fired power generation also becomes increasingly unrealistic.

(Each $1 dollar drop in oil prices costs the government between Fl 400-500m in tax receipts, according to the *broad formula adopted by plan*ners in the Hague. Each drop or rise of 10 Dutch cents against the dollar, has an equal effect on revenue.)

Counterbalancing these fiscal disadvantages is the fact that lower energy costs to consumers and industrial custom*ers may serve as a fillip to* growth, could moderate an expected rise in inflation, and *leave the government with* more room for economic manoeuvre.

Because most Dutch depend on gas to cook and heat their homes, the gas bill savings may translate into prolonged demand for consumer products.

Moreover, customers in the industrial and horticultural sectors may reap a further competitive windfall in the form of cheaper unit costs at a time when *they* are already emerging in better fighting trim against European rivals. This assumes of course that wage settlements remain moderate.

Elsewhere on the energy scene, the government has cabled an important proposal *for the broad-scale reorganisa*tion of the fragmented power industry.

It is aimed at improving efficiency and cutting costs in the distribution sector and achieving more concentration and introducing greater flexibility in the generation sector.

It is hoped the plan, details of which are to be negotiated in parliament will reduce the current energy price disparity between regions. The currently splintered nature of distribution means electricity prices can vary from 7 cents per kilowatt-hour for industrial customers to as much as 29 cents for some consumers.

Utilities will be reorganised into limited liability companies, not fully privatised, in an effort to curb their monopoly powers. The government hopes, too, that the number of utilities decline and leave Holland overall with a more competitive and market-oriented power industry.

David Brown

TOTAL PRIMARY ENERGY REQUIREMENT 1986

Country	Coal	Oil	Gas	Nuclear	Other
Belgium	19.8	44.7	15.0	19.8	0.9
W.Germany	29.3	43.6	15.5	9.9	7.7
Netherlands	10.4	36.3	51.5	1.5	0.0
United Kingdom	31.8	37.4	23.5	6.4	0.9

Source: OECD

Profile: Sheila de Vries

Woman with designs on US

AN EXCEPTION to her own rule that "there is no such thing as Dutch fashion, is Sheila de Vries". But then, as a successful couturier designer in a traditionally male-dominated business, she is an exceptional person in the Netherlands.

Standing amid the chaos of fabric cuttings strewn about her sunny atelier on the Rokin Boulevard in central Amsterdam, the visitor has the impression there is a certain inevitability about her success.

From a modest start just over 10 years ago, she has won an international following that includes Jane Fonda and Barbra Streisand.

But like many working women in Holland, she still does her own shopping and puts a strong emphasis on her home and family.

Her company, Sheila Fashion, is still a small Dutch-based business with an annual turnover of only Fl 1m and a workforce of 20 full and part-time seamstresses.

But now Ms de Vries, together with her business manager husband Tom de Vries, are moving into the more profitable volume business of pret a porter, farming out production and preparing to launch a make-or-break collection in the US.

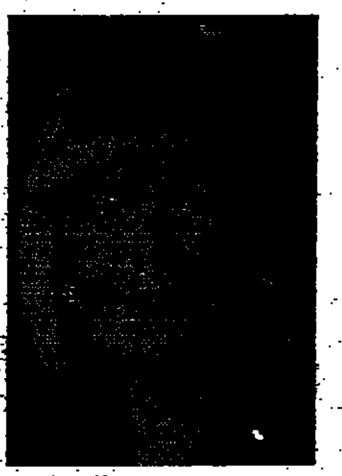
Ms de Vries' focus on expensive, high-quality clothing is exceptional in a country whose taste in fashion tends towards egalitarian themes and variations on black and brown, not to mention distinctly lower price tags.

While she is the only woman at this rarified end of the business, she is not entirely alone: an all-male 'Mafia' of designers including Frans van Molenaar, Max Huymans and Edgar Vos have all cut out niches in this small but lucrative domestic market. Ms de Vries observes: "Holland is a small country where very few people can afford to spend more than 1,000 guilders on a piece of clothing."

With her move to the US, she hopes to increase her turnover by as much as 50 per cent.

Marketing and name recognition are critical to success. "My labels read, 'Amsterdam-Europe'," she says. "I don't even use the word Holland because it makes people think of chocolate and wooden shoes.

She won her grounding during a gruelling 10-year stint in



Sheila de Vries: "I don't use the word Holland"

the workshops of Tonny Wagemans, a Paris-trained designer, before breaking off to start her own shop in the Jordaan quarter which is Amsterdam's modest answer to Paris' left bank. "It all really started about 12 years ago with this tiny boutique where I made all the clothes by hand.

It was so successful, I literally exploded out of that shop after two years."

Ms de Vries' first recognition came in 1984, when she mounted her first small show on the US West Coast and began to attract a celebrity following.

She was already dressing Neelie Smit Kroes, Holland's Transport Minister when suddenly her customer list included the likes of Elizabeth Taylor and other wealthy and well-travelled celebrities.

"Honestly, I find dropping names tiresome," she says reflecting the very Dutch aversion to any suggestion of elitism. "But that's how the business works."

The pret a porter launch is an expensive, calculated risk. According to Mr de Vries, the total investment may run into as much as a quarter of the company's annual turnover.

"Couture certainly offers high margins," says Ms de Vries. "But if you really want to make money, you've got to do pret a porter."

The spring collection destined for north America is being produced at Atelier Haarlem in the Netherlands. Labour accounts for as much as 40 per cent of total costs.

"We could go to Hong Kong and save a lot of money, but we have to be absolutely certain about the quality at the start," explains the designer. "This way I can supervise the entire production."

De Vries' speciality is party clothes - but her line is designed for women who like to change their 'look' three times a day. She avoids men's fashion because "there's only so much you can do with a suit and tie after all."

A striking blonde, Ms de Vries obviously has a deep enthusiasm for her work. Her voice drops to a husky octave when she describes "a sexy cocktail dress" in her forthcoming collection. Her hand waves through the air in a suggestive, capable gesture of design.

Currently, Sheila Fashion presents a new collection twice a year. But what is sold in the shop is constantly supplemented with new designs. Many of her customers are foreign.

"A shop helps you stay in touch with what people are looking for, and that's essential when you gamble on pret a porter. It really costs if you miss."

Ms de Vries leans away from fashion trends and towards a classicism of design.

She said: "I never got into that crazy stuff with gigantic shoulders and holes in the waist. I try to design the kind of clothes people will want to wear season after season."

The latest collection relies heavily on rich fabrics like velvet and silk, brocades and embroidery.

Ms de Vries buys her fabrics personally, travelling at least twice a year to Hong Kong, and designs jewellery and accessories for each costume.

She also chooses her fashion models carefully. "I think people are tired of this skin-tight tube look. I prefer the soft, feminine lines."

Clearly, however, Ms de Vries is not a designer of mass appeal. The suits which bear her name are hand made in her own workshops and carry a price tag in the range of Fl 1,000-2,000 (£300-600). A gown can command as much as Fl 6,000, although the pret a porter line will be selling in the US in the $400 (£220) 'medium' price range.

As for her couturier line, "I'm still not in the sort of Yves St Laurent category where I can charge Fl 20,000 for a single dress."

"At least not yet," she adds.

David Brown

Budget austerity hits museums

Private cash is vital

NEW ECONOMIC realities are forcing fundamental changes in the attitudes and methods of Dutch museums, which have long been accustomed to the paternalistic umbrella of state support.

The twin pressures of budget austerity at home and price inflation on the world art market are pointing towards a far more commercial future in which private sponsorship is vital.

Preparations for an ambitious programme of exhibitions and events in early 1990, to commemorate the centenary of the death of Vincent Van Gogh, the Dutch painter, provide a vivid example.

Organised at the Rijksmuseum Vincent Van Gogh, under the directorship of Mr Ronald de Leeuw, aged 40, the centrepiece will be a show bringing together about 130 paintings and perhaps as many as 500 drawings, by Van Gogh.

But when Mr de Leeuw says "Vincent changed everything", he means not only the development of 20th century art; rocketing costs are complicating the organisational marathon of assembling the work from around the world.

Record prices paid for Van Gogh's Sunflowers ($49m) and Irises ($54m) have pushed his work into the most highly-valued realms of the international art market.

The average assessed value of each painting in the planned exhibition is Fl 45m (£13m). The estimate put on the entire collection has now been pushed up to Fl 8bn with the result that the initial exhibition costs have been inflated from Fl 10m about a year ago to more than Fl 30m today.

"High art prices have already edged Dutch museums out of most buyers' markets", says Mr de Leeuw. High insurance costs mean "we may have to sacrifice some of the works we had planned to show, or make substitutions" for Van Gogh 1990.

The extreme volatility of art prices also complicates the work of insurance brokers. Amro Bank, realising the job was too big for the Dutch market alone, has teamed up with the London-based Sedgwick Group, which organised coverage for, among other things, the Tutankhamen collection of Egyptian artefacts.

With art prices spiralling upwards, the final insurance cost for the museum, cannot be fixed until the last minute.

Only a few years ago this might have been an academic problem. But budget austerity in The Hague has frozen Mr de Leeuw's Fl 1.6m annual budget, along with arts funding across the board.

For the first time in Holland, fund-raising has become essential and the Rijksmuseum Van Gogh has hired a full-time adjunct director for finance.

To be fair, the government will be making a contribution to the big event. Beyond a (relatively small) cash sum, the Culture Ministry recently unveiled an insurance indemnity scheme establishing a state guarantee for art works valued up to Fl 500m.

But for the Van Gogh Museum, their exhibition has an estimated value 16 times that of the total indemnity programme.

The organisers are still millions of guilders below target and the shortfall will have to come from the private sector.

Mr Frits Becht, a businessman and collector, explains that "the culture of corporate sponsorship in Holland is still in its early days."

Mr Becht directs a newly-formed foundation, Stichting Van Gogh 1990, which is doing most of the fund-raising work.

Drawing on his experience as chairman of the Holland Festival, he is trying to round up a collection of high-profile corporate sponsors to contribute a minimum of Fl 1m each.

So Van Gogh 1990 will be packaged and sold like gala performances at the opera or ballet, with tickets bearing a specific date and time, and the total number of places strictly limited.

Instead of confining, as usual, the sale of tickets to the museums' public counters, such businesses as Vedex (which owns the Vroom & Dreesmann retail network) and Verenigde Spaarbank will be allowed to get in on the act. Each will get 25 per cent commission.

Mr Becht says: "It helps if you can give your sponsors a direct interest in the sale of tickets."

The Van Gogh show, while exceptional, mirrors daily adjustments facing art administrators in Holland. Mr de Leeuw has learned, for example, that it is necessary to subsidise what he considers his "priority exhibitions" with receipts from less refined but popular shows like "Toulouse-Lautrec Poster Art."

The commercialisation of the art scene, which is now gathering pace in Holland, is not necessarily being viewed as a bad thing. Nevertheless, an inescapable irony is attached to the Van Gogh exhibition itself.

Van Gogh was an artist who sold only two canvases while he lived. He believed that commercial success was anathema to artistic creativity.

David Brown

Television faces competition from Europe and space

'Pillars' are set to crumble

PLANS for the introduction of a private Dutch televison company have been rejected by the government.

However, with advances in technology, it appears inevitable that private television will arrive but until that day, the 'pillar' system of broadcasting in the country will continue.

The pillars are those of Dutch society: the church and the political parties. Since its earliest days broadcasting has been closely tied to them. Dutch Protestants, Catholics, socialists and conservatives have their own broadcasting associations. There is KRO for Catholics, NCRV for protestants, VARA for socialists, and AVRO for the conservatives.

AVRO for many years was the most frivolous, but in the 1960s it was joined by two others which were classed as 'neutral', TROS and Veronica.

Both descended from pirate TV and radio, TROS broadcasting commercial television programmes from an artificial island, in the North Sea, and Veronica, broadcasting radio from a pirate ship offshore.

Until the early 1960s advertising was forbidden on Dutch radio and television but then business saw a chance to break the tradition by using the pirates.

However, when the pirates became too popular the Dutch Marines were sent out to silence them.

Both stations then adjusted to the 'system' and founded legal broadcasting associations, based on membership.

Membership is based on a complicated law, which entitles the associations the exclusive right to publish their programmes in radio and television guides. A subscriber is automatically a member of an association, and the association with most subscribers/members gets the most air time.

The 'pillar' system, is complicated and is expensive to run but in spite of that the Dutch felt the system worked well, until cross-border television came about.

First only those living close to the West German and Belgian borders were able to watch cross-border television. But since the advent of cable television BBC, ITV, the satellites channels Sky, and Super Channel and French TV5 have become available.

In spite of cable's popularity, it did little harm to the traditional system for the Dutch Government, through the PTT, was able to keep a firm grip on cable's activities.

Meanwhile on the official Dutch channels advertising had been introduced but only before and after the news in three minutes or five minutes blocks.

As soon as Sky, and Super Channel introduced advertising in Dutch, Mr Elco Brinkman the Minister for Culture intervened. These commercials were forbidden and the cable companies were threatened with the loss of their licences, granted by the PTT.

The question remains: how long will the government be able to keep a wall around the 14.5m population who are curious as to what happens on the air in neighbouring countries when they are not allowed to watch if it advertising is broadcast in their native language.

Another question remains: how long will it be before almost every Dutch home has a satellite dish.

That was one of the reasons why three broadcasting associations, AVRO, TROS and Veronica, this summer joined forces with the four publishers: Elsevier, VNU, Perscombinatie and de Telegraaf, to propose the introduction of private television.

Veronica, already seems close to a commercial TV and radio station. Possibly that is why in 10 years it has gained more than 1m members and subscribers to its TV and radio guide.

Veronica's slogan "You are young and tasty" appeals to the young, and offers programmes best described as aggressive and superficial.

Mr Brinkman realised that what the broadcasters and the publishers were proposing was a fully-fledged commercial channel which could mean the beginning of the end for the Dutch way of broadcasting.

Meanwhile the 'pillar' system holds its ground but everyone knows it is not for too long.

The system in inherently costly. At the Republican convention in New Orleans, in the autumn, each Dutch broadcasting system sent its own camera crew and commentators.

There is, however, some co-operation through NOS (Dutch Broadcasting Foundation), in which all the associations are represented on a board.

NOS produces the daily news, which is possibly Europe's dullest programme as any interpretation of the news is strictly forbidden. That is left to the 'identity' of the broadcasting foundations.

One Hilversum TV director said: "The 'system' is dying, and we all know it. With the single market of 1992, that piece of culture might be Europeanised. It will be great day, for all of us."

Friso Endt

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Yet it's more than likely that we were responsible for the technology behind the light, bend-where-your-foot-bends uppers.

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In fact we've probably had a hand in every part of the shoe's design. And the next time you're in the car, take a good look around you. You won't see our name anywhere.

Yet the chances are that the light-weight materials in the chassis were developed by Akzo. As were the smooth textures of the upholstery. And the sturdy plastics that make up the dashboard.

Not to mention the tyres, reinforced by Akzo materials for firm grip and durability, the Akzo polyester yarn in the seat belts, and the glossy metallic finish on the paintwork.

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Yet it is quite possible that the plane's frame has been reinforced using Akzo technology.

There's every chance, too, that we made the coating chosen by the airline to keep maintenance costs down to a minimum.

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